

KONKA GROUP CO., LTD.
ANNUAL REPORT 2017

2018-10

March 2018

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Konka Group Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report.

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.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as virtual promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

At the Board meeting, a dividend payout proposal for common shareholders for the Reporting Period has been considered and approved as follows: based on the total shares of 2,407,945,408, a cash dividend of RMB1.62 (tax inclusive) per 10 shares would be distributed to all the common shareholders, with no share dividend in any form.

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

Table of Contents

Part I Important Notes, Table of Contents and Definitions.....	2
Part II Company Profile and Key Financial Information.....	6
Part III Business Summary.....	11
Part IV Company Performance Discussion and Analysis.....	13
Part V Significant Events.....	41
Part VI Share Changes and Shareholder Information.....	66
Part VII Preferred Shares.....	73
Part VIII Directors, Supervisors, Senior Management and Staff.....	74
Part IX Corporate Governance.....	85
Part X Corporate Bonds.....	97
Part XI Financial Statements.....	98
Part XII Documents Available for Reference.....	310

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
Parent, Parent Company	Konka Group Co., Ltd. exclusive of subsidiaries, except where the context otherwise requires
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Konka Household Appliances	Shenzhen Konka Household Appliances Co., Ltd.
Plastic Products	Shenzhen Konka Plastic Products Co., Ltd.
Electrical Appliances	Shenzhen Konka Electrical Appliances Co., Ltd.
Fittings Technology	Shenzhen Konka Electronic Fittings Technology Co., Ltd.
Mudanjiang Appliances	Mudanjiang Arctic Ocean Appliances Co., Ltd.
Chongqing Qingjia	Chongqing Qingjia Electronics Co., Ltd.
Anhui Konka	Anhui Konka Electronic Co., Ltd.
Anhui Household Appliances	Anhui Konka Household Appliances Co., Ltd.
Kunshan Konka	Kunshan Konka Electronic Co., Ltd.
Dongguan Konka	Dongguan Konka Electronic Co., Ltd.
Dongguan Packing	Dongguan Konka Packing Materials Co., Ltd.
Boluo Konka	Boluo Konka PCB Co., Ltd.
Boluo Konka Precision	Boluo Konka Precision Technology Co., Ltd.
Hong Kong Konka	Hong Kong Konka Co., Ltd.
Konka Household Appliances Investment	Konka Household Appliances Investment & Development Co., Ltd.
Konka Household Appliances International Trading	Konka Household Appliances International Trading Co., Ltd.
Konka Europe	Konka (Europe) Co., Ltd.
Konka Factoring	Konka Factoring (Shenzhen) Co., Ltd.
Wankaida	Shenzhen Wankaida Science and Technology Co., Ltd.
Kunshan Kangsheng	Kunshan Kangsheng Investment Development Co., Ltd.
Anhui Tongchuang	Anhui Konka Tongchuang Household Appliances Co., Ltd.
Indonesia Konka	Indonesia Konka Electronics Co., Ltd.
Shushida Logistics	Shenzhen Shushida Logistics Service Co., Ltd.
Beijing Konka Electronic	Beijing Konka Electronic Co., Ltd.
Konka E-display	Shenzhen Konka E-display Co., Ltd.
E-display Service	Shenzhen E-display Service Co., Ltd.
Xiamen Dalong	Xiamen Dalong Trading Co., Ltd.

Youshi Kangrong	Youshi Kangrong Culture Communication Co., Ltd.
Kangqiao Jiacheng	Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.
Konka SmartTech	Konka SmartTech Limited
Kaikai Shijie	Anhui Kaikai Shijie E-commerce Co., Ltd.
E2info	Shenzhen E2info Network Technology Co., Ltd.
Mobile Interconnection	Shenzhen Konka Mobile Interconnection Technology Co., Ltd.
Commercial System Technology	Shenzhen Konka Commercial System Technology Co., Ltd.
Chain Kingdom	Chain Kingdom Co., Limited
Kangqiao Easy Chain	Shenzhen Kangqiao Easy Chain Technology Co., Ltd.
E3info	E3info (Hainan) Technology Co., Ltd.
Chuzhou Konka TID	Chuzhou Konka Technology & Industry Development Co., Ltd.
Konka Ventures	Konka Ventures Development (Shenzhen) Co., Ltd.
Konka Pengrun	Shenzhen Konka Pengrun Technology & Industry Co., Ltd.
Konka Unifortune	Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.
Konka Investment	Shenzhen Konka Investment Holding Co., Ltd.
Kangzhi Trade	Anhui Kangzhi Trade Co., Ltd.
Konka Material	Hainan Konka Material Technology Co., Ltd.
Konka Leasing	Tianjin Konka Leasing Co., Ltd.
Yantai Konka	Yantai Konka Healthcare Enterprise Service Co., Ltd.
Konka Capital	Shenzhen Konka Capital Equity Investment Management Co., Ltd.
Chain Kingdom Shenzhen	Chain Kingdom (Shenzhen) Co., Ltd.
CSRC	The China Securities Regulatory Commission
SZSE	The Shenzhen Stock Exchange
CSRC Shenzhen	The Shenzhen branch of the China Securities Regulatory Commission
RMB, RMB'0,000	In RMB yuan, in RMB ten thousand yuan
The "Reporting Period" or "Current Period"	The period from January 1, 2017 to December 31, 2017

Part II Company Profile and Key Financial Information

I Corporate Information

Stock name	Konka A, Konka B	Stock symbol	000016, 200016
Changed stock name (if any)	N/A		
Stock exchange	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.	0755-61368867	0755-61368867
Fax	0755-26601139	0755-26601139
Email address	szkonka@konka.com	szkonka@konka.com

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

Newspapers designated by the Company for information disclosure	Securities Times, etc.
Website designated by CSRC for publication of this Report	www.cninfo.com.cn

Place where this Report is kept	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
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IV Company Registered Information and Alterations

Unified social credit code	914403006188155783
Change in main business scope of the Company since going public (if any)	Supply chain management was added to main business scope in 2017
Change of controlling shareholder (if any)	No change

V Other Information

Independent certified public accounting (or “CPA”) firm hired by the Company:

Name	Ruihua Certified Public Accountants (LLP)
Office address	5-11F, 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

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

Applicable Not applicable

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

	2017	2016	2017-over-2016 change	2015
Operating revenue (RMB)	31,227,763,249.71	20,299,348,136.21	53.84%	18,395,177,035.98
Net income attributable to shareholders of the listed company (RMB)	5,057,025,155.71	95,673,028.03	5,185.74%	-1,256,819,314.51
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	-97,284,945.83	-283,460,349.24	65.68%	-1,129,999,645.94

Net cash flows from operating activities (RMB)	-4,314,257,622.47	-972,135,787.43	-343.79%	1,289,600,482.66
Basic earnings per share (RMB/share)	2.1001	0.0397	5,189.92%	-0.52
Diluted earnings per share (RMB/share)	2.1001	0.0397	5,189.92%	-0.52
Weighted average return on equity (%)	63.26%	3.35%	59.91%	-36.30%
	December 31, 2017	December 31, 2016	Change of December 31, 2017 over December 31, 2016	December 31, 2015
Total assets (RMB)	23,558,735,469.78	17,243,119,597.97	36.63%	14,250,367,548.28
Equity attributable to shareholders of the listed company (RMB)	7,994,145,476.61	2,901,481,607.04	175.52%	2,814,382,870.81

VII Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Income and Equity Differences under CAS and IFRS

Applicable Not applicable

No such differences for the Reporting Period.

2. Net Income and Equity Differences under CAS and Foreign Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	4,686,318,957.34	6,719,647,022.09	8,757,653,006.20	11,064,144,264.08
Net income attributable to shareholders of the listed company	26,245,353.83	4,625,914.03	97,974,481.26	4,928,179,406.59
Net income attributable to	-18,772,884.12	-25,683,328.05	-34,435,053.99	-18,393,679.67

shareholders of the listed company before nonrecurring gains and losses				
Net cash flows from operating activities	-1,629,437,072.94	-634,577,631.94	-1,298,562,951.65	-751,679,965.94

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

Yes No

IX Nonrecurring Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2017	2016	2015	Note
Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments)	6,470,215,253.82	242,932,907.65	-16,096,434.80	
Government subsidies charged to current profit and loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)	178,372,701.34	113,350,808.96	71,499,330.11	
Gains and losses on investment or asset management entrustments to other entities	70,070,846.08	70,849,063.30	20,419,318.35	
Allowance for asset impairments due to acts of God such as natural disasters		0.00	-144,808,654.70	
Gains and losses on changes in fair value of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-63,931,276.14	17,953,552.28	32,627,480.23	
Gains and losses on loan entrustment	808,737.50	707,777.79	3,550,666.66	
Non-operating income and expense other than above	41,449,367.77	22,934,301.50	-104,311,044.28	
Other gains and losses that meet definition of nonrecurring gain/loss	87,640,651.87	168,175.52	-419,240.74	

Less: Income tax effects	1,603,618,658.08	78,609,375.35	-14,549,153.86	
Non-controlling interests effects (net of tax)	26,697,522.62	11,153,834.38	3,830,243.26	
Total	5,154,310,101.54	379,133,377.27	-126,819,668.57	--

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

Applicable Not applicable

Item	Amount (RMB)	Reason
Tax rebates on software	56,782,742.21	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 Main Business Scope of the Company in Reporting Period

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

No.

Currently, the Company offers, among other things, multimedia products and services, supply chain services, white goods and mobile phones. Its primary business models are specified as follows:

(I) Multimedia Products and Services

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

The domestic sales of the Company's color 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 color TVs.

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

(II) Supply Chain Services

The Company trades IC components, LCD panels, metal materials and other products in the supply chains for the Company's existing products. This can help the Company establish good relationships with its upstream suppliers and downstream customers, learn about the prices of the materials used in its production in a timely manner, and control costs of its existing products. In addition, the Company also intends to provide supply chain services integrating commercial, logistics and information handling services to create a new growth point for the future.

(III) White Goods

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.

(IV) Mobile Phones

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 Material Change in Main Assets

1. Material Change in Main Assets

Main assets	Reason for material change in the period
Equity assets	Long-term equity investments increased 326.29% from opening amount, primarily driven by investments in new joint stock companies such as Guangdong Chutian Dragon Smart Card Co., Ltd. and Shenzhen Yaode Technology Co., Ltd.
Property, plant and equipment	No material change
Intangible assets	Down 32.11% from opening amount, primarily driven by land disposal by Kunshan Konka Electronic Co., Ltd.
Construction in progress	Down 56.94% from opening amount, primarily driven by reclassification of hotel construction of Kunshan Kangsheng Investment Development Co., Ltd. into property, plant and equipment

2. Main Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

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

No.

The Company's competitive edges include, among other things, its R&D ability, marketing network and manufacturing capability. Through resource integration, the Company will vigorously try to make substantial breakthroughs in intelligent products, cloud computing, application of the Internet technology, application software, etc. It will also strengthen technical innovation to increase its overall competitiveness.

Part IV Company Performance Discussion and Analysis

I Overview

(I) Key Operating Results of Reporting Period

For the Reporting Period, the Company achieved operating revenue of RMB31.228 billion, up 53.84% from the prior year. And the net income attributable to the shareholders of the listed company stood at RMB5.057 billion. These results were attributed to the following reasons:

1. In the Reporting Period, the Company continued to upgrade its development model and organizational structure. It has shifted from a development model relying on the sales of hardware to a development model of “hardware + software”, “end products + users” and “investment & holding + finance”, guided by the vision of “technology + industry + urbanization”. Also, it recruited a new senior management team in early 2017 and integrated and restructured its existing business to improve organizational efficiency.

2. The Company further clarified its development strategy during the Reporting Period. Through vigorously promoting its supply chain management business, accelerating Internet operations, making comprehensive arrangements for the Internet of Things space, rapidly expanding technology park development and encouraging innovation and entrepreneurship platforms to connect with its technology parks, the Company has made breakthroughs in its business structure and achieved fast growth in operating revenue.

3. Towards the vision of “technology + industry + urbanization”, the Company launched its technology park business in 2017, with business development as the core, park development as the vehicle and equity investment as the focus. It is trying to upgrade its development model by launching this new business line based on its existing business.

4. During the Reporting Period, the Company increased its R&D investment and improved its R&D team to steadily increase its core R&D strength. Meanwhile, it independently developed master chip inverter, backlight inverter and screen inverter technologies, and successfully launched a series of new TV products including A1 TV, R1 TV and M1 TV. Highly spoken of on the market, these products are selling well.

5. During the Reporting Period, the Company vigorously carried out business integration, strove for better R&D, manufacturing and supply chain management capabilities, and kept optimizing its product mix. As a result, it saw improvements in its operating results in spite of fierce market competition and rising raw material prices.

6. Non-recurring items generated RMB5.154 billion in the Reporting Period, which was mostly the

gains on the sale of the Company's 70% stake in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.

(II) Business Highlights in 2017

In 2017, all of the Company's operations were refreshed as its mechanism reforms went further, which ranged from the open recruitment of senior management, the integration and corporatization of its multimedia operations, the incentive mechanism breakthroughs in new business operations and the improvements to its employee compensation architecture. These changes not only effectively improved the Company's operating efficiency, but also promoted its rapid development. For 2017, the operating revenue of the Company reached RMB31.228 billion with a net income of RMB5.057 billion. And positive trends were seen in all the business operations of the Company. Business highlights in 2017 are summarized as follows:

1. Multimedia business

In 2017, the multimedia business of the Company faced a severe market environment. The overall market scale declined, and the prices of upstream raw materials such as screens and IC rose. However, the multimedia business of the Company recorded growth in revenue and realized profits despite all these unfavorable factors. The following work was done in the multimedia business during the Reporting Period:

(1) Business architecture integration: In April 2017, the Company integrated its various multimedia operations into one comprehensive multimedia division with color TVs and display products as its core to compete on the market as a whole, which has improved the operating performance and quality.

(2) Corporatization: Based on the business architecture integration, at the end of 2017, the Company launched a corporatization program for its multimedia division and established Shenzhen Konka Electronic Technology Co., Ltd. as a non-manufacturing multimedia operating unit to focus on domestic and overseas sales of the Company's multimedia and other products, so as to promote deeper strategic cooperation in the multimedia business. A more effective performance appraisal and incentive mechanism has also been formulated to enhance competitiveness. So far, the registration of the new company has been completed and all work is under progress.

(3) The strategy of increasing R&D investment and product leading showed its importance: in 2017, the Company invested RMB 260 million in R&D, which was an increase of 36% over the same period of last year. R&D team construction was strengthened and thus the overall R&D strength had been steadily improving. Breakthroughs were made in technologies and products, including global general platforms equipped with Netflix applications, data operation platforms based on big data applications, general-purpose modular minimalist TV series, A1 artificial smart TVs, R1 frequency conversion televisions and M1 Music TV etc. It did not only enhance product market competitiveness, increase product gross profit margin steadily, but also laid the foundation for

product reserves of the Company in 201, so as to ensure the sustainable business development.

(4) Restructuring of manufacturing: under the guidance of the development mode of “Technology + Industry + Urbanization”, the Company gradually clarified the development ideas for promoting the upgrading of manufacturing bases to industrial parks. The restructuring of manufacturing bases has enabled the color TV production capacity of the Company match the marketing volume more effectively and optimized product costs, but also provided land resources and operation space for business development of the science.

2. Technology park business

The technology park business is an important step of the Company towards the development model of "technology + industry + urbanization".

At present, regarding this business, the Company has Konka Dongguan Smart Appliance Industrial Park, Konka Chuzhou Kechuang Center and Yibin Konka Intelligent Terminal Industrial Park, among other industrial parks and land resources. These projects and resources will become a new major business line of the Company.

3. Supply chain management

In 2017, the revenue of supply chain management reached RMB13.652 billion, an increase of 489% year-on-year. With the rapid growth of business scale, business scope was expanded and it now involves a variety of products related to the main business of the Company.

4. Internet business

In 2017, the revenue of Internet business of the Company reached RMB 320 million. In addition to performance improvement, the quality of business operations was also improved, mainly in three areas:

(1) Diversification of profit model: in addition to the original revenues from video and advertising, the profit channel of Internet business was expanded to digital entertainment and shopping services, of which the music, education and gaming sectors in the digital entertainment business have developed rapidly, resulting in a greatly improvement of profit.

(2) Refinement of user operation: as the user scale grew, the Company gradually pushed the upgrade of the four major systems including advertising, big data, payment and user, and optimized server architecture, so as to provide more stable development of Internet services. In addition, the gradual and iterative optimization of products, the aggregation of high-quality services and refined operational recommendations also effectively ensured a rapid increase in performance and user operation level.

(3) Significant growth in operation: in 2017, both the Migu project and OTT set-top box business of China Mobile achieved significant progress.

5. White goods

There was a severe competition in white goods market in 2017. Under the continuous increase in operating costs, the revenue of white goods of the Company achieved RMB1.737 billion for the year, an increase of 2.10% year-on-year, and the business performance and operation quality were improved significantly.

(1) Improvement of product and channel structure: through continuous increase in R&D investment, the implementation of product leading strategy and optimization of product lines, product structure was improved; meanwhile, by promotion of value marketing, sales in e-commerce channels kept improving steadily, and channel structure was optimized.

(2) Product enhancement: by the application of new processes, innovation in industrial modeling and differentiated designs, the Company introduced a series of products with a certain influence into the market, including large-capacity refrigerators 628L, pesticide-free refrigerators, Kmini and cosmetics etc., which were all unique products in the field of healthy home appliances.

6. Mobile phone

The mobile phone sector is highly competitive. In 2017, under the pressure of great competition, the Company effectively improved the overall operation performance by active change of channel model of mobile phone business, major adjustment of customer structure, great improvement of brand influence and breakthrough in the model. Moreover, progress had been made in the promotion of key projects:

(1) Official launch of the Yibin Intelligent Terminal High-Tech Industrial Park project: this project can not only cut down costs for the Company's mobile phone business, but is also the incubation of mobile phone business shift and innovation as well as the development of supply chain management business. It would form an industrial agglomeration effect in Yibin and create a good industrial ecology.

(2) Breakthrough in the development of self-owned overseas brands: while strengthening the adjustment of customer structure, the Company actively promoted the expansion of its self-owned overseas brands. In Australia, among other operating segments, Konka achieved good performances under its own brands.

7. Investment

In 2017, the investment business of the Company was greatly improved in personnel establishment, work mechanism innovation, system and process management and professional capacity-building, forming a good base for the industrial layout of the Company. Meanwhile, the Company invested in Guangdong Chutian Dragon Smart Card Co., Ltd., Shenzhen QT-Flex Co., Ltd., Wuhan Tianyuan Environmental Protection Co., Ltd. and other companies.

8. Venture investment

In 2017, the Company established Konka Ventures Development (Shenzhen) Co., Ltd. to operate

business incubators and accelerators, innovation bases, etc. under the brand of “Konka Star”. This is an important step in the Company’s transformation and upgrading drive. So far, “Konka Star” business incubators have been launched in several cities including Yantai and Chengdu cities in China, as well as the Silicon Valley and San Diego in the U.S., etc.

II Analysis of Main Business

1. Summary

See “Part IV Company Performance Discussion and Analysis”, “I Overview” herein.

2. Revenue and Cost

(1) Breakdown of Operating Revenue

Unit: RMB

	2017		2016		Change
	Revenue	Percentage of total operating revenue (%)	Revenue	Percentage of total operating revenue (%)	
Total	31,227,763,249.71	100%	20,299,348,136.21	100%	53.84%
By operating division					
Electronics	16,148,586,075.45	51.71%	17,167,313,167.21	84.57%	-5.93%
Supply chain management	13,652,512,654.75	43.72%	2,317,805,158.77	11.42%	489.03%
Other	1,426,664,519.51	4.57%	814,229,810.23	4.01%	75.22%
By product category					
Color TVs	11,994,950,476.66	38.41%	12,478,427,986.35	61.47%	-3.87%
Mobile phones	918,711,012.38	2.94%	970,287,086.42	4.78%	-5.32%
White goods	1,737,464,511.08	5.56%	1,701,770,760.58	8.38%	2.10%
Supply chain services	13,652,512,654.75	43.72%	2,317,805,158.77	11.42%	489.03%
Other	2,924,124,594.84	9.36%	2,831,057,144.09	13.95%	3.29%
By operating segment					
Domestic	16,031,740,206.40	51.34%	14,282,697,744.63	70.36%	12.25%
Overseas	15,196,023,043.31	48.66%	6,016,650,391.58	29.64%	152.57%

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Income

Applicable Not applicable

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

No.

Unit: RMB

	Operating revenue	Cost of operating revenue	Gross margin percentage	YoY change in operating revenue	YoY change in cost of operating revenue	YoY change in gross margin percentage
By operating division						
Electronics	16,148,586,075.45	13,142,913,323.56	18.61%	-5.93%	-10.12%	3.79%
Supply chain management	13,652,512,654.75	13,501,073,391.55	1.11%	489.03%	486.84%	0.37%
By product category						
Color TVs	11,994,950,476.66	10,062,760,446.56	16.11%	-3.87%	-6.21%	2.09%
Supply chain services	13,652,512,654.75	13,501,073,391.55	1.11%	489.03%	486.84%	0.37%
By operating segment						
Domestic	16,031,740,206.40	13,670,697,608.30	14.73%	12.25%	51.94%	-22.28%
Overseas	15,196,023,043.31	14,118,287,671.50	7.09%	152.57%	150.98%	0.59%

Main 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	2017	2016	Change
Electronics	Unit sales	0,000 units	1,291	1,219	5.91%
	Output	0,000 units	1,091	983	10.99%
	Inventory	0,000 units	135	127	6.30%

Reason for any over 30% YoY movements in the data above:

Applicable Not applicable

(4) Execution Progress of Major Signed Sales Contracts in Reporting Period

Applicable Not applicable

(5) Breakdown of Cost of Operating Revenue

By product category

Unit: RMB

Product category	Item	2017		2016		Change
		Cost of operating revenue	Percentage of total cost of operating revenue (%)	Cost of operating revenue	Percentage of total cost of operating revenue (%)	
Color TVs	Color TVs	10,062,760,446.56	36.21%	10,729,196,625.12	61.25%	-6.21%
Mobile phones	Mobile phones	827,228,372.16	2.98%	888,167,026.43	5.07%	-6.86%
White goods	White goods	1,404,308,959.94	5.05%	1,354,850,701.01	7.73%	3.65%
Supply chain services	Supply chain services	13,501,073,391.55	48.58%	2,300,635,459.09	13.13%	486.84%
Other	Other	1,993,614,109.59	7.17%	2,245,480,531.34	12.82%	-11.22%

(6) Change in Scope of Consolidated Financial Statements for Reporting Period

√ Yes □ No

① Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. has been deconsolidated since November 30, 2017 when the Company sold its 70% stake in this subsidiary.

② Kunshan Konka Electronic Co., Ltd. has been deconsolidated since September 26, 2017 when the Company sold its 51% stake in this subsidiary.

③ Konka Ventures Development (Shenzhen) Co., Ltd. was incorporated by the Company and Shenzhen Qianhai TONGGAM Technology Co., Ltd. on Oct. 26, 2017 with a registered capital of RMB 5 million, of which the Company contributed RMB 2.55 million (or 51.00%) in cash and Shenzhen Qianhai TONGGAM Technology Co., Ltd. contributed RMB 2.45 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Oct. 26, 2017.

④ Shenzhen Konka Pengrun Technology & Industry Co., Ltd. was incorporated by the Company, Guizhuo Huajinrun Science and Technology Group Co., Ltd. and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 50 million, of which the Company contributed RMB 25.5 million (or 51.00%) in cash, Guizhuo Huajinrun Science and Technology Group Co., Ltd. contributed RMB 15 million (or 30.00%) in cash, and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. contributed RMB 9.5 million (or 19.00%) in cash. For the Company has control over this new subsidiary, it has been

included into the Company's consolidation scope since Sep. 15, 2017.

⑤ Shenzhen Konka Unifortune Supply Chain Management Co., Ltd. was incorporated by the Company and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 30 million, of which the Company contributed RMB 15.3 million (or 51.00%) in cash, and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. contributed RMB 14.7 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Sep.15, 2017.

⑥ Shenzhen Konka Investment Holding Co., Ltd. was incorporated by the Company in Shenzhen on Mar. 6, 2017 with a registered capital of RMB 40 million, which will all be paid by the Company. As of the balance sheet date, the Company has not yet actually made the payment. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Mar. 6, 2017.

⑦ Anhui Kangzhi Trade Co., Ltd. was incorporated in Chuzhou, Anhui Province on Mar. 8, 2017 by Anhui Konka Electronic Co., Ltd., a subsidiary of the Company, with a registered capital of RMB 5 million, which will all be paid by Anhui Konka Electronic Co., Ltd. As of the balance sheet date, Anhui Konka Electronic Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-sub-subsidiary, it has been included into the Company's consolidation scope since Mar. 8, 2017.

⑧ Hainan Konka Material Technology Co., Ltd. was incorporated by Shenzhen Konka Household Appliances Co., Ltd. (a subsidiary of the Company) and Shenzhen Mushen Industrial Co., Ltd. on Jul. 10, 2017 with a registered capital of RMB 10 million, of which Shenzhen Konka Household Appliances Co., Ltd. will contribute RMB 5.1 million (or 51.00%) and Shenzhen Mushen Industrial Co., Ltd. will contribute RMB 4.9 million (or 49.00%). For the Company has control over this new sub-sub-subsidiary, it has been included into the Company's consolidation scope since Jul. 10, 2017. As of the balance sheet date, the contributions have not yet been actually paid.

⑨ Tianjin Konka Leasing Co., Ltd. was incorporated in Tianjin on Nov. 30, 2017 by Beijing Konka Electronic Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 170 million, of which all will be paid by Beijing Konka Electronic Co., Ltd. As of the balance sheet date, Beijing Konka Electronic Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 30, 2017.

⑩ Yantai Konka Healthcare Enterprise Service Co., Ltd. was incorporated in Yantai, Shandong Province on Nov. 24, 2017 by Konka Ventures Development (Shenzhen) Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Konka Ventures Development (Shenzhen) Co., Ltd. As of the balance sheet date, Konka Ventures Development (Shenzhen) Co., Ltd. has not yet actually made the payment. For the Company has

control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

⑪ Shenzhen Konka Capital Equity Investment Management Co., Ltd. was incorporated in Shenzhen on Nov. 24, 2017 by Shenzhen Konka Investment Holding Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 10 million, of which all will be paid by Shenzhen Konka Investment Holding Co., Ltd. As of the balance sheet date, Shenzhen Konka Investment Holding Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

⑫ Chain Kingdom (Shenzhen) Co., Ltd. was incorporated in Shenzhen on Jun. 9, 2017 by Chain Kingdom Co., Limited (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Chain Kingdom Co., Limited. As of the balance sheet date, Chain Kingdom Co., Limited has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Jun. 9, 2017.

⑬ Anhui Konka Household Appliances Co., Ltd. (a subsidiary of the Company) has been cancelled for it has been absorbed by Anhui Konka Tongchuang Household Appliances Co., Ltd. (another subsidiary of the Company) on May 17, 2017.

⑭ Indonesia Konka Electronics Co., Ltd., a subsidiary of the Company, was liquidated during 2017. As of the balance sheet date, Indonesia Konka Electronics Co., Ltd. has distributed its remaining assets but has not yet completed the cancellation procedure with the industrial and commerce administration.

(7) Major Change in Business Scope or Product or Service Range in Reporting Period

√ Applicable □ Not applicable

The Company launched its supply chain management business in 2017.

(8) Main Customers and Suppliers

Main customers:

Total sales to top five customers (RMB)	7,077,286,124.31
Total sales to top five customers as a percentage of total sales of Reporting Period (%)	22.66%
Total sales to related parties among top five customers as a percentage of total sales of Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue generated	Percentage of total sales of Reporting
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		(RMB)	Period (%)
1	Customer A	1,821,173,777.01	5.83%
2	Customer B	1,807,483,385.73	5.79%
3	Customer C	1,427,350,159.69	4.57%
4	Customer D	1,022,560,970.90	3.27%
5	Customer E	998,717,830.98	3.20%
Total	--	7,077,286,124.31	22.66%

Other information about the main 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, over 5% shareholders, actual controller or any other related parties held equity interests in the major customers, directly or indirectly.

Main suppliers:

Total purchases from top five suppliers (RMB)	4,709,162,792.37
Total purchases from top five suppliers as a percentage of total purchases of Reporting Period (%)	18.83%
Total purchases from related parties among top five suppliers as a percentage of total purchases of Reporting Period (%)	0

Information about top five suppliers:

No.	Supplier	Payment for purchases (RMB)	Percentage of total purchases of Reporting Period (%)
1	Supplier A	1,161,757,192.00	4.65%
2	Supplier B	990,253,426.27	3.96%
3	Supplier C	886,143,489.53	3.54%
4	Supplier D	863,394,333.66	3.45%
5	Supplier E	807,614,350.91	3.23%
Total	--	4,709,162,792.37	18.83%

Other information about the main suppliers:

Applicable Not applicable

None of the top five suppliers 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 suppliers, directly or indirectly.

3. Expense

Unit: RMB

	2017	2016	Change	Reason for material change
Selling expenses	2,141,993,558.11	2,285,998,285.97	-6.30%	
Administrative expenses	777,713,680.46	607,579,115.65	28.00%	enhance the R&D input
Finance costs	340,918,550.61	154,764,546.12	120.28%	Greater bank loan amount

4. Research and Development Expense

Applicable Not applicable

The R&D expenditure in the Reporting Period was RMB0.33 billion. 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.

Details about R&D expense:

	2017	2016	Change
Number of R&D personnel	1,353	1,203	12.47%
R&D personnel as a percentage of total employees	7.59%	6.92%	0.67%
R&D expense (RMB)	329,676,982.50	191,650,648.39	72.02%
R&D expense as a percentage of operating revenue	1.06%	0.94%	0.12%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as a percentage of total R&D expense	0.00%	0.00%	0.00%

Reason for any significant YoY change in the proportion of R&D expense in operating revenue:

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2017	2016	Change
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Subtotal of cash generated by operating activities	40,942,886,533.13	19,077,621,388.76	114.61%
Subtotal of cash used in operating activities	45,257,144,155.60	20,049,757,176.19	125.72%
Net cash flows from operating activities	-4,314,257,622.47	-972,135,787.43	-343.79%
Subtotal of cash generated by investing activities	9,053,115,239.75	9,974,064,791.72	-9.23%
Subtotal of cash used in investing activities	4,323,599,750.38	9,882,767,942.03	-56.25%
Net cash flows from investing activities	4,729,515,489.37	91,296,849.69	5080.37%
Subtotal of cash generated by financing activities	10,526,601,766.42	7,172,728,955.54	46.76%
Subtotal of cash used in financing activities	9,779,757,140.80	5,839,979,604.35	67.46%
Net cash flows from financing activities	746,844,625.62	1,332,749,351.19	-43.96%
Net increase in cash and cash equivalents	1,076,996,758.62	532,748,093.79	102.16%

Explanation of why any of the data above varies materially:

Applicable Not applicable

Accounts receivable and undue notes receivable increased over the Reporting Period, resulting in negative net cash flows from operating activities.

During the Reporting Period, the cash generated by the sale of the Company's 70% stake in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. increased net cash flows from investing activities.

Reason for any material difference between the net operating cash flows and the net income of the Reporting Period:

Applicable Not applicable

III Non-Core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Percentage of pretax income (%)	Source/Reason	Recurring or not

Investment income	6,587,848,357.88	98.94%	Gains on sale of 70% stake in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	Not
Gains and losses on changes in fair value	-66,221,451.96	-0.99%		Not
Asset impairments	159,703,723.30	2.40%		Not
Non-operating income	82,832,663.76	1.24%		Tax rebates on software are recurring while the others are uncertain
Non-operating expense	16,521,032.68	0.25%		Not

IV Analysis of Assets and Liabilities

1. Material Change in Assets and Liabilities

√ Applicable □ Not applicable

Unit: RMB

	December 31, 2017		December 31, 2016		Change in percentage (%)	Reason for material change
	Value	Percentage of total assets (%)	Value	Percentage of total assets (%)		
Monetary assets	3,212,044,851.08	13.63%	2,617,606,256.42	15.18%	-1.55%	
Accounts receivable	3,443,095,947.26	14.61%	2,307,965,548.49	13.38%	1.23%	
Inventories	4,690,363,565.53	19.91%	4,287,413,944.35	24.86%	-4.95%	
Investment property	216,455,629.99	0.92%	222,086,904.26	1.29%	-0.37%	
Long-term equity investments	1,319,987,343.74	5.60%	309,648,120.37	1.80%	3.80%	
Property, plant and equipment	1,587,170,348.35	6.74%	1,573,978,914.03	9.13%	-2.39%	
Construction in process	135,863,821.01	0.58%	315,536,437.05	1.83%	-1.25%	
Short-term	6,927,472,037.35	29.41%	6,562,834,226.51	38.06%	-8.65%	

borrowings						
Long-term borrowings	167,000,000.00	0.71%	70,000,000.00	0.41%	0.30%	

2. Assets and Liabilities Measured at Fair Value

Applicable Not applicable

Unit: RMB

Item	Opening amount	Gains/losses on fair value changes in Reporting Period	Cumulative fair value changes charged to equity	Allowance for impairment for Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Closing amount
Financial assets							
1. Financial assets at fair value through profit or loss	252,084,994.12	-66,221,451.96					296,799.53
3. Available-for-sale financial assets	55,777,425.00		31,342.08				58,162.76
Total of above	307,862,419.10	-66,221,451.96	31,342.08				354,962.29
Financial liabilities	337,263.13						47,482,470.50

Material change in the measurement attributes of the main assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as of End of Reporting Period

As of the end of the Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged, conditionally cashable, non-cashable or could not be used for repaying debt.

V Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount of Reporting Period (RMB)	Total investment amount of last year (RMB)	Change
1,185,098,584.39	30,700,000.00	3760.26%

2. Material Equity Investments Made in Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Main business scope of investee	Way of investment	Amount of investment	The Company's stake in investee	Source of investment funds	Joint investor	Term of investment	Type of investment	Investment progress as of balance sheet date	Projected earnings	Return on investment in Reporting Period	Any legal matter involved	Disclosure date (if any)	Index to disclosed information (if any)
Guangdong Chutian Dragon Smart Card Co., Ltd.	Manufacturing and marketing of smart card	Joint stock	588,000,000.00	24%	The Company's own funds	Zhengzhou XiangHongWan Enterprise Management Co., Ltd. and Zhengzhou Eastern Spirit Enterprise Management Center			Investment agreement signed and ownership transfer with industrial and commercial administration completed	Unknown	7,504,967.77	Not	06/30/2017	www.cninfo.com.cn
Total	--	--	588,000,000.00	--	--	--	--	--	--	Unknown	7,504,967.77	--	--	--

3. Material Non-Equity Investments Ongoing in Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Project	Way of investment	Investment in fixed assets or not	Industry	Investment in Reporting Period	Total actual investment as of end of Reporting Period	Source of investment capital	Project progress	Total earnings as of end of Reporting Period	Reason for falling behind schedule or not achieving projected earnings	Project	Disclosure date (if any)	Index to disclosed information (if any)
Kunshan Shuiyue Zhouzhuang real estate project	Built by the Company itself	25% is invested in fixed assets	Real estate, hotel management	325,160,000	2,011,090,000	The Company's own money	71%	223,957,258.74	N/A	07/06/2010	www.cninfo.com.cn	
Konka Technological Innovation Center	Built by the Company itself	Yes	Electronics	76,657,814.50	76,657,814.50		17.00%	0.00	N/A	12/30/2016		
New plant in Dongguan city	Built by the Company itself	Yes	Electronics	0.00	0.00		0.00%	0.00	N/A	03/11/2017		
Yibin Konka Smart Terminal High-Tech Park	Built by the Company itself	Yes	Electronics	0.00	0.00		0.00%	0.00	N/A	12/16/2017		
Total				401,817,814.	2,087,747,81			223,957,258.				

				50	4.50				74			
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Notes:

- (1) Regarding the Kunshan Shuiyue Zhouzhuang real estate project, Phase IV is under construction, and the move-in of Phase III and the sales of Phase 4.1 have been substantially completed.
- (2) In regard to the Konka Technological Innovation Center project, the related land use right transfer agreement has been signed and planning is underway.
- (3) As for the project of 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.
- (4) As for the Yibin Konka Smart Terminal High-Tech Park project, preparations are underway and the Company is waiting for the local government to put out the project target land for bids.

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

	Symbol of security	Name of security	Initial investment cost	Accounting measurement method	Opening carrying value	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	Closing carrying value	Accounting title	Source of investment funds
Domes- tic/For- eign stock	300605	HFX X	4,671.80	Fair value method	0.00	0.00	0.00	4,671. 80	24,601 .50	19,929 .70	0.00	Available -for-sale financial asset	The Com- pany's own mone- y
Ditto	300610	CHG F	3,371.83	Ditto	0.00	0.00	0.00	3,371. 83	14,788 .84	11,417 .01	0.00	Ditto	Ditto
Ditto	300609	HN KJ	3,369.80	Ditto	0.00	0.00	0.00	3,369. 80	25,605 .50	22,235 .70	0.00	Ditto	Ditto
Ditto	002848	GSB E	4,417.00	Ditto	0.00	0.00	0.00	4,417. 00	26,110 .00	21,693 .00	0.00	Ditto	Ditto
Ditto	002849	WX ZN	3,575.68	Ditto	0.00	0.00	0.00	3,575. 68	19,092 .00	15,516 .32	0.00	Ditto	Ditto
Ditto	300611	ML KJ	3,579.03	Ditto	0.00	0.00	0.00	3,579. 03	17,312 .10	13,733 .07	0.00	Ditto	Ditto
Ditto	002850	KDL	22,997.00	Ditto	0.00	0.00	0.00	22,997 .00	85,201 .70	62,204 .70	0.00	Ditto	Ditto
Ditto	002851	MG MT	4,016.10	Ditto	0.00	0.00	0.00	4,016. 10	26,400 .00	22,383 .90	0.00	Ditto	Ditto

Ditto	300616	SPZ P	20,109.5 0	Ditto	0.00	0.00	0.00	20,109 .50	68,080 .00	47,970 .50	0.00	Ditto	Ditto
Ditto	300618	HRG Y	5,689.65	Ditto	0.00	0.00	0.00	5,689. 65	48,583 .67	42,894 .02	0.00	Ditto	Ditto
Ditto	002852	DD Q	17,832.1 0	Ditto	0.00	0.00	0.00	17,832 .10	60,255 .60	42,423 .50	0.00	Ditto	Ditto
Ditto	300620	GK KJ	2,766.06	Ditto	0.00	0.00	0.00	2,766. 06	14,648 .26	11,882 .20	0.00	Ditto	Ditto
Ditto	300622	BSY J	1,916.85	Ditto	0.00	0.00	0.00	1,916. 85	9,145. 50	7,228. 65	0.00	Ditto	Ditto
Ditto	300623	JJW D	5,526.00	Ditto	0.00	0.00	0.00	5,526. 00	19,200 .00	13,674 .00	0.00	Ditto	Ditto
Ditto	300621	WY GF	4,016.20	Ditto	0.00	0.00	0.00	4,016. 20	15,878 .00	11,861 .80	0.00	Ditto	Ditto
Ditto	300625	SXJ G	10,885.2 0	Ditto	0.00	0.00	0.00	10,885 .20	32,881 .20	21,996 .00	0.00	Ditto	Ditto
Ditto	002856	MZ GF	3,831.30	Ditto	0.00	0.00	0.00	3,831. 30	13,530 .00	9,698. 70	0.00	Ditto	Ditto
Ditto	002855	JRJS	3,256.92	Ditto	0.00	0.00	0.00	3,256. 92	14,178 .06	10,921 .14	0.00	Ditto	Ditto
Ditto	300626	HRG F	2,362.50	Ditto	0.00	0.00	0.00	2,362. 50	11,428 .20	9,065. 70	0.00	Ditto	Ditto
Ditto	300627	HCD H	2,949.87	Ditto	0.00	0.00	0.00	2,949. 87	14,666 .19	11,716 .32	0.00	Ditto	Ditto
Ditto	300630	PLZ Y	4,389.18	Ditto	0.00	0.00	0.00	4,389. 18	16,808 .00	12,418 .82	0.00	Ditto	Ditto
Ditto	002774	KY DT	5,124.00	Ditto	0.00	0.00	0.00	5,124. 00	18,480 .00	13,356 .00	0.00	Ditto	Ditto
Ditto	002859	JMK J	6,798.96	Ditto	0.00	0.00	0.00	6,798. 96	16,005 .60	9,206. 64	0.00	Ditto	Ditto
Ditto	300635	DA GF	3,605.49	Ditto	0.00	0.00	0.00	3,605. 49	10,999 .80	7,394. 31	0.00	Ditto	Ditto
Ditto	300632	GPG F	2,549.55	Ditto	0.00	0.00	0.00	2,549. 55	9,487. 50	6,937. 95	0.00	Ditto	Ditto
Ditto	002860	XSE	3,506.37	Ditto	0.00	0.00	0.00	3,506. 37	9,522. 60	6,016. 23	0.00	Ditto	Ditto
Ditto	300639	KPS W	2,850.45	Ditto	0.00	0.00	0.00	2,850. 45	8,339. 00	5,488. 55	0.00	Ditto	Ditto
Ditto	300637	YFX C	3,316.62	Ditto	0.00	0.00	0.00	3,316. 62	9,648. 65	6,332. 03	0.00	Ditto	Ditto
Ditto	002861	YTT X	4,485.00	Ditto	0.00	0.00	0.00	4,485. 00	11,960 .00	7,475. 00	0.00	Ditto	Ditto
Ditto	002863	JFK D	3,101.68	Ditto	0.00	0.00	0.00	3,101. 68	13,402 .88	10,301 .20	0.00	Ditto	Ditto
Ditto	300641	ZDG F	6,438.00	Ditto	0.00	0.00	0.00	6,438. 00	15,600 .00	9,162. 00	0.00	Ditto	Ditto
Ditto	002865	JDG F	2,787.40	Ditto	0.00	0.00	0.00	2,787. 40	8,602. 44	5,815. 04	0.00	Ditto	Ditto
Ditto	002866	CYK J	4,850.80	Ditto	0.00	0.00	0.00	4,850. 80	13,140 .60	8,289. 80	0.00	Ditto	Ditto
Ditto	002867	ZDS	9,940.08	Ditto	0.00	0.00	0.00	9,940. 08	22,355 .20	12,415 .12	0.00	Ditto	Ditto
Ditto	002868	LKS H	4,286.40	Ditto	0.00	0.00	0.00	4,286. 40	12,097 .80	7,811. 40	0.00	Ditto	Ditto
Ditto	300647	CPS	1,711.36	Ditto	0.00	0.00	0.00	1,711. 36	6,952. 40	5,241. 04	0.00	Ditto	Ditto

Ditto	300643	WT ZK	2,119.90	Ditto	0.00	0.00	0.00	2,119. 90	9,860. 00	7,740. 10	0.00	Ditto	Ditto
Ditto	002869	JYK J	4,054.80	Ditto	0.00	0.00	0.00	4,054. 80	9,207. 00	5,152. 20	0.00	Ditto	Ditto
Ditto	002870	XSG F	5,518.80	Ditto	0.00	0.00	0.00	5,518. 80	11,188. .80	5,670. 00	0.00	Ditto	Ditto
Ditto	300652	LDK	3,985.88	Ditto	0.00	0.00	0.00	3,985. 88	9,364. 81	5,378. 93	0.00	Ditto	Ditto
Ditto	002872	TSZ Y	11,945.5 8	Ditto	0.00	0.00	0.00	11,945. .58	24,350. .40	12,404. .82	0.00	Ditto	Ditto
Ditto	300655	JRG F	1,557.00	Ditto	0.00	0.00	0.00	1,557. 00	8,214. 75	6,657. 75	0.00	Ditto	Ditto
Ditto	300657	HX DZ	2,027.97	Ditto	0.00	0.00	0.00	2,027. 97	9,839. 70	7,811. 73	0.00	Ditto	Ditto
Ditto	300659	ZFX X	2,659.95	Ditto	0.00	0.00	0.00	2,659. 95	8,617. 41	5,957. 46	0.00	Ditto	Ditto
Ditto	300658	YJG F	3,726.72	Ditto	0.00	0.00	0.00	3,726. 72	8,361. 60	4,634. 88	0.00	Ditto	Ditto
Ditto	300660	JSL L	13,701.8 7	Ditto	0.00	0.00	0.00	13,701. .87	27,395. .55	13,693. .68	0.00	Ditto	Ditto
Ditto	002877	ZNZ K	2,049.60	Ditto	0.00	0.00	0.00	2,049. 60	7,654. 28	5,604. 68	0.00	Ditto	Ditto
Ditto	300663	KLR J	2,617.20	Ditto	0.00	0.00	0.00	2,617. 20	10,260. .00	7,642. 80	0.00	Ditto	Ditto
Ditto	300662	KRG J	3,353.60	Ditto	0.00	0.00	0.00	3,353. 60	13,194. .24	9,840. 64	0.00	Ditto	Ditto
Ditto	002879	CLK J	6,270.96	Ditto	0.00	0.00	0.00	6,270. 96	12,841. .20	6,570. 24	0.00	Ditto	Ditto
Ditto	002880	WG SW	6,779.70	Ditto	0.00	0.00	0.00	6,779. 70	20,903. .40	14,123. .70	0.00	Ditto	Ditto
Ditto	300666	JFD Z	1,624.00	Ditto	0.00	0.00	0.00	1,624. 00	10,850. .00	9,226. 00	0.00	Ditto	Ditto
Ditto	002881	MG ZN	2,804.48	Ditto	0.00	0.00	0.00	2,804. 48	10,898. .66	8,094. 18	0.00	Ditto	Ditto
Ditto	002882	JLY	5,232.80	Ditto	0.00	0.00	0.00	5,232. 80	13,504. .00	8,271. 20	0.00	Ditto	Ditto
Ditto	300669	HN GF	1,551.00	Ditto	0.00	0.00	0.00	1,551. 00	4,452. 78	2,901. 78	0.00	Ditto	Ditto
Ditto	300670	DYZ N	2,306.23	Ditto	0.00	0.00	0.00	2,306. 23	6,093. 68	3,787. 45	0.00	Ditto	Ditto
Ditto	300671	FM DZ	2,132.93	Ditto	0.00	0.00	0.00	2,132. 93	6,856. 41	4,723. 48	0.00	Ditto	Ditto
Ditto	300672	GK W	1,958.88	Ditto	0.00	0.00	0.00	1,958. 88	5,775. 00	3,816. 12	0.00	Ditto	Ditto
Ditto	300675	JKY	1,277.34	Ditto	0.00	0.00	0.00	1,277. 34	6,497. 40	5,220. 06	0.00	Ditto	Ditto
Ditto	300676	HDJ Y	4,242.04	Ditto	0.00	0.00	0.00	4,242. 04	34,147. .80	29,905. .76	0.00	Ditto	Ditto
Ditto	002888	HW KJ	1,148.16	Ditto	0.00	0.00	0.00	1,148. 16	3,590. 40	2,442. 24	0.00	Ditto	Ditto
Ditto	300677	YK YL	4,873.21	Ditto	0.00	0.00	0.00	4,873. 21	10,475. .37	5,602. 16	0.00	Ditto	Ditto
Ditto	300678	ZKX X	1,208.90	Ditto	0.00	0.00	0.00	1,208. 90	3,977. 82	2,768. 92	0.00	Ditto	Ditto
Ditto	002889	DFJ S	3,260.88	Ditto	0.00	0.00	0.00	3,260. 88	7,401. 24	4,140. 36	0.00	Ditto	Ditto

Ditto	300679	DLJ S	17,878.0 8	Ditto	0.00	0.00	0.00	17,878 .08	29,568 .00	11,689 .92	0.00	Ditto	Ditto
Ditto	300682	LXK J	1,790.75	Ditto	0.00	0.00	0.00	1,790. 75	4,842. 50	3,051. 75	0.00	Ditto	Ditto
Ditto	300686	ZDL	1,765.32	Ditto	0.00	0.00	0.00	1,765. 32	3,838. 96	2,073. 64	0.00	Ditto	Ditto
Ditto	300683	HTS W	8,169.12	Ditto	0.00	0.00	0.00	8,169. 12	14,681 .60	6,512. 48	0.00	Ditto	Ditto
Ditto	300691	LHG D	3,192.00	Ditto	0.00	0.00	0.00	3,192. 00	14,978 .00	11,786 .00	0.00	Ditto	Ditto
Ditto	002892	KLE	3,810.52	Ditto	0.00	0.00	0.00	3,810. 52	14,137 .55	10,327 .03	0.00	Ditto	Ditto
Ditto	300692	ZHH B	2,326.70	Ditto	0.00	0.00	0.00	2,326. 70	14,310 .00	11,983 .30	0.00	Ditto	Ditto
Ditto	300693	SHG F	3,316.60	Ditto	0.00	0.00	0.00	3,316. 60	11,654 .10	8,337. 50	0.00	Ditto	Ditto
Ditto	002891	ZCG F	2,767.34	Ditto	0.00	0.00	0.00	2,767. 34	8,119. 44	5,352. 10	0.00	Ditto	Ditto
Ditto	002895	CHG F	2,776.85	Ditto	0.00	0.00	0.00	2,776. 85	12,008 .00	9,231. 15	0.00	Ditto	Ditto
Ditto	300698	WM KJ	1,980.00	Ditto	0.00	0.00	0.00	1,980. 00	15,849 .90	13,869 .90	0.00	Ditto	Ditto
Ditto	300699	GW FC	7,623.02	Ditto	0.00	0.00	0.00	7,623. 02	48,744 .00	41,120 .98	0.00	Ditto	Ditto
Ditto	300697	DG HJ	1,968.54	Ditto	0.00	0.00	0.00	1,968. 54	9,178. 06	7,209. 52	0.00	Ditto	Ditto
Ditto	002898	SLY Y	2,999.91	Ditto	0.00	0.00	0.00	2,999. 91	11,631 .42	8,631. 51	0.00	Ditto	Ditto
Ditto	002897	YH GF	5,004.56	Ditto	0.00	0.00	0.00	5,004. 56	12,888 .92	7,884. 36	0.00	Ditto	Ditto
Ditto	300700	DLX C	1,930.16	Ditto	0.00	0.00	0.00	1,930. 16	12,512 .00	10,581 .84	0.00	Ditto	Ditto
Ditto	002899	YPS	3,498.90	Ditto	0.00	0.00	0.00	3,498. 90	10,311 .40	6,812. 50	0.00	Ditto	Ditto
Ditto	002893	HTD L	2,602.24	Ditto	0.00	0.00	0.00	2,602. 24	10,503 .20	7,900. 96	0.00	Ditto	Ditto
Ditto	300702	TYG F	6,005.88	Ditto	0.00	0.00	0.00	6,005. 88	17,714 .80	11,708 .92	0.00	Ditto	Ditto
Ditto	002900	HSL	8,312.20	Ditto	0.00	0.00	0.00	8,312. 20	18,078 .00	9,765. 80	0.00	Ditto	Ditto
Ditto	002901	DBY L	3,248.36	Ditto	0.00	0.00	0.00	3,248. 36	12,645 .00	9,396. 64	0.00	Ditto	Ditto
Ditto	300654	SJT H	1,542.00	Ditto	0.00	0.00	0.00	1,542. 00	7,740. 00	6,198. 00	0.00	Ditto	Ditto
Ditto	002902	MP GC	4,267.26	Ditto	0.00	0.00	0.00	4,267. 26	15,402 .00	11,134 .74	0.00	Ditto	Ditto
Ditto	300705	JDZ Y	2,551.02	Ditto	0.00	0.00	0.00	2,551. 02	9,202. 86	6,651. 84	0.00	Ditto	Ditto
Ditto	002903	YHS K	2,632.68	Ditto	0.00	0.00	0.00	2,632. 68	12,083 .96	9,451. 28	0.00	Ditto	Ditto
Ditto	002906	HYJ T	8,501.49	Ditto	0.00	0.00	0.00	8,501. 49	21,294 .09	12,792 .60	0.00	Ditto	Ditto
Ditto	300708	JCG D	1,421.28	Ditto	0.00	0.00	0.00	1,421. 28	17,136 .00	15,714 .72	0.00	Ditto	Ditto
Ditto	002905	JYY S	7,384.96	Ditto	0.00	0.00	0.00	7,384. 96	18,392 .00	11,007 .04	0.00	Ditto	Ditto

Ditto	300709	JYK J	7,120.80	Ditto	0.00	0.00	0.00	7,120. 80	18,160 .80	11,040 .00	0.00	Ditto	Ditto
Ditto	002908	DSK J	758.00	Ditto	0.00	0.00	0.00	758.00	4,183. 00	3,425. 00	0.00	Ditto	Ditto
Ditto	002907	HSZ Y	1,408.83	Ditto	0.00	0.00	0.00	1,408. 83	8,086. 00	6,677. 17	0.00	Ditto	Ditto
Ditto	002909	JTG F	1,553.76	Ditto	0.00	0.00	0.00	1,553. 76	6,052. 80	4,499. 04	0.00	Ditto	Ditto
Ditto	002910	ZY MC	2,804.96	Ditto	0.00	0.00	0.00	2,804. 96	9,697. 04	6,892. 08	0.00	Ditto	Ditto
Ditto	300712	YFG F	3,155.94	Ditto	0.00	0.00	0.00	3,155. 94	10,159 .35	7,003. 41	0.00	Ditto	Ditto
Ditto	300713	YKR	4,713.93	Ditto	0.00	0.00	0.00	4,713. 93	15,035 .67	10,321 .74	0.00	Ditto	Ditto
Ditto	300711	YHT X	2,630.25	Ditto	0.00	0.00	0.00	2,630. 25	11,377 .80	8,747. 55	0.00	Ditto	Ditto
Ditto	300718	CSZ C	2,635.52	Ditto	0.00	0.00	0.00	2,635. 52	7,668. 00	5,032. 48	0.00	Ditto	Ditto
Ditto	300719	AD WE	3,327.87	Ditto	0.00	0.00	0.00	3,327. 87	9,295. 65	5,967. 78	0.00	Ditto	Ditto
Ditto	300716	GLK J	2,561.54	Ditto	0.00	0.00	0.00	2,561. 54	6,235. 05	3,673. 51	0.00	Ditto	Ditto
Ditto	002864	PLY Y	1,584.74	Ditto	0.00	0.00	0.00	1,584. 74	5,040. 20	3,455. 46	0.00	Ditto	Ditto
Ditto	300721	YD GF	2,924.25	Ditto	0.00	0.00	0.00	2,924. 25	6,161. 75	3,237. 50	0.00	Ditto	Ditto
Ditto	300723	YPH	3,870.35	Ditto	0.00	0.00	0.00	3,870. 35	9,166. 26	5,295. 91	0.00	Ditto	Ditto
Ditto	002911	FYG F	6,746.96	Ditto	0.00	0.00	0.00	6,746. 96	12,748 .56	6,001. 60	0.00	Ditto	Ditto
Ditto	300726	HD DZ	2,499.84	Ditto	0.00	0.00	0.00	2,499. 84	7,728. 00	5,228. 16	0.00	Ditto	Ditto
Ditto	300727	RHC L	1,551.24	Ditto	0.00	0.00	0.00	1,551. 24	5,824. 14	4,272. 90	0.00	Ditto	Ditto
Ditto	002913	ASK	5,924.10	Ditto	0.00	0.00	0.00	5,924. 10	10,783 .50	4,859. 40	0.00	Ditto	Ditto
Ditto	300730	KCX X	1,513.16	Ditto	0.00	0.00	0.00	1,513. 16	0.00	0.00	7,520. 55	Ditto	Ditto
Ditto	002915	ZXF C	1,459.61	Ditto	0.00	0.00	0.00	1,459. 61	0.00	0.00	7,988. 13	Ditto	Ditto
Ditto	300731	KCX Y	2,436.16	Ditto	0.00	0.00	0.00	2,436. 16	6,252. 32	3,816. 16	0.00	Ditto	Ditto
Ditto	002917	JAB	2,374.56	Ditto	0.00	0.00	0.00	2,374. 56	5,416. 20	3,041. 64	0.00	Ditto	Ditto
Ditto	002918	MN LS	8,948.94	Ditto	0.00	0.00	0.00	8,948. 94	16,702 .40	7,753. 46	0.00	Ditto	Ditto
Ditto	002919	MCJ K	1,406.72	Ditto	0.00	0.00	0.00	1,406. 72	0.00	0.00	3,949. 12	Ditto	Ditto
Ditto	002920	DSX W	12,537.88	Ditto	0.00	0.00	0.00	12,537 .88	0.00	0.00	24,025 .82	Ditto	Ditto
Ditto	300684	ZSK J	1,376.00	Ditto	0.00	0.00	0.00	1,376. 00	0.00	0.00	2,397. 68	Ditto	Ditto
Ditto	300735	GH KJ	5,064.93	Ditto	0.00	0.00	0.00	5,064. 93	0.00	0.00	7,295. 73	Ditto	Ditto
Ditto	002922	YGE	3,462.39	Ditto	0.00	0.00	0.00	3,462. 39	0.00	0.00	4,985. 73	Ditto	Ditto

Ditto	300241	RFG D	232,711, 950.00	Ditto	212,19 0,150. 00	20,521 ,800	0.00	0.00	220,79 4,435. 52	8,604, 285.52	0.00	Trading financial asset	Ditto
Other securities investments held at period-end			0.00	--	0.00	0.00	0.00	0.00	0.00	0.00	0.00	--	--
Total			233,238, 443.08	--	212,19 0,150. 00	20,521 ,800	0.00	526,49 3.08	222,47 6,418. 26	9,786, 595.87	58,162 .76	--	--
Disclosure date of announcement on Board's consent for securities investment			N/A										
Disclosure date of announcement on shareholders' meeting's consent for securities investment (if any)			N/A										

(2) Investment in Derivative Financial Instruments

√ Applicable □ Not applicable

Capital source for derivative investment	U.S. dollar financings
Legal matters involved (if applicable)	N/A
Disclosure date of board announcement approving derivative investment (if any)	05/24/2014
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	06/10/2014
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	We engage in forward forex transactions to reduce the currency risk when securing foreign-currency financing. This is very needed in our routine operation and is in compliance with the applicable laws and regulations. We have formulated the Management Rules of Konka Group Co., Ltd. for Investment In Derivative Financial Instruments, making clear the relevant consideration and approval procedure, risk control, etc.. We always sign forward forex contracts with large banks such as the Bank of China, which operate steadily and have good credit standing, which could help prevent loss on forward forex contracts due to bank failure.
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include	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

measurement method and related assumptions and parameters)	contractual prices as transactional financial assets or liabilities, and the profit/loss on fair value changes is recognized accordingly. Because these contracts have locked in exchange rates, no changes will occur when comparing the fair value on signing dates with that on delivery dates.
Material changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No material changes
Opinion of independent directors on derivative investments and risk control	It is considered necessary for the Company to lock in foreign-currency financing costs through financial instruments, because it could effectively reduce the currency risk when securing foreign-currency financing. The Company has formulated the internal control mechanism for investment in derivative financial instruments, and the relevant risk control measures that the Company has taken are considered effective.

Unit: RMB'0,000

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Gain/loss in Reporting Period	Closing investment amount as a percentage of the Company's closing net asset value
Forward forex contract	112,014.55	224,712.77	-9,714.17	28.11%

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	Effect of the sale on the Company	Amount contributed by the sale to net	Pricing principle	Related transaction or not	Relationship between counterparty	Ownership fully transferred or not	Executed as scheduled or not, if not,	Disclosure date	Index to disclosed information
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				interest s to net income of the Compa ny from period- beginni ng to date of sale (RMB' 0,000)		income of the Compa ny as a percent age of the Compa ny's net income (%)			and the Compa ny		state reason and actions taken		
Shangh ai Wanwe ihu Wareho using Service s Co., Ltd.	51% stake in Kunsha n Konka Electro nics Co., Ltd.	09/26/2 017	22,440	1,647.4 6	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 earning s	3.33%	Not lo wer th an asse ssed v alue	Not	N/A	Yes	Yes	06/30/2 017	
Shenzh en Chuang jing Invest ment Co., Ltd.	70% stake in Shenzh en Kangqi ao Jiachen g Propert y Invest ment Co., Ltd.	11/30/2 017	698,00 0	-1,155. 54		94.16%	Not lo wer th an asse ssed v alue	Not	N/A	Yes	Yes	08/25/2 017	www.c ninfo.c om.cn

VII Main Controlled and Joint Stock Companies

√ Applicable □ Not applicable

Main subsidiaries and joint stock companies with an over 10% effect on the Company's net income:

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net asset value	Operating revenue	Operating income	Net income
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Software technology development and maintenance	RMB10,000,000	500,682,841.12	492,787,962.22	95,937,140.00	113,866,864.97	96,757,860.17
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Subsidiary	Production and sale of refrigerators, washing machines and other household appliances	RMB270,000,000	1,169,711,595.28	140,991,271.69	1,868,161,803.74	25,749,597.14	27,900,435.01
Anhui Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB140,000,000	1,262,224,964.57	373,413,639.70	3,440,965,798.27	24,576,749.10	21,680,920.38
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Production and sale of mobile communication products	RMB120,000,000	572,046,843.10	-168,424,829.92	923,842,446.60	23,654,362.17	66,253,590.42
Dongguan Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB266,670,000	779,999,017.53	649,500,823.14	212,156,300.02	5,938,446.13	12,305,107.32
Hong Kong Konka Co., Ltd.	Subsidiary	Export & import of electromechanical and electronics	HKD500,000	1,980,881,885.78	150,713,892.10	3,734,825,819.54	52,290,208.24	42,894,723.45
Kunshan Kangsheng Investment Development Co., Ltd.	Subsidiary	Real estate and hotels	RMB350,000,000	1,368,894,796.05	576,309,979.00	902,098,926.28	276,011,078.68	205,636,642.00

Chain Kingdom Co., Limited	Subsidiary	Supply chain management	USD1,500,000	1,156,003,026.24	28,370,314.63	5,535,614,456.54	22,421,734.04	18,722,147.92
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Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Subsidiary	How subsidiary was obtained or disposed in Reporting Period	Effects on overall production and operating results
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	The Company's 70% stake in the subsidiary was sold	Great gains on the sale for 2017
Kunshan Konka Electronic Co., Ltd.	The Company's 51% stake in the subsidiary was sold	No significant effects
Konka Ventures Development (Shenzhen) Co., Ltd.	Incorporated by investment	No significant effects
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Incorporated by investment	No significant effects
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Incorporated by investment	No significant effects
Shenzhen Konka Investment Holding Co., Ltd.	Incorporated by investment	No significant effects
Anhui Kangzhi Trade Co., Ltd.	Incorporated by investment	No significant effects
Hainan Konka Material Technology Co., Ltd.	Incorporated by investment	No significant effects
Tianjin Konka Leasing Co., Ltd.	Incorporated by investment	No significant effects
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Incorporated by investment	No significant effects
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Incorporated by investment	No significant effects
Chain Kingdom (Shenzhen) Co., Ltd.	Incorporated by investment	No significant effects
Anhui Konka Household Appliances Co., Ltd.	Consolidated by merger	No significant effects

Information about the main controlled and joint stock companies:

There is no other important information about the controlled and joint stock companies in the Reporting Period of which disclosure is required.

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Outlook for Future Development of the Company

In 2018, the Company will continue to follow the development mode of "technology + industry + urbanization" and "hardware + software", "end products + users" and "investment & holding + finance" to pursue great progress and leapfrog development. The Company's operating strategies for the year are summarized as follows:

(I) Technology park business

To quickly promote the launch of industrial parks: quickly promote the launch of industrial parks including the Yibin Intelligent Terminal Industrial Park and Dongguan Science and Technology Industrial Park according to the signed agreements and agreed arrangements.

(II) Multimedia business

1. Corporatization of multimedia operations: the Company will finalize specific plans for transaction model, asset allocation and operation model, etc. as soon as possible, and establish a set of fast-response mechanisms to respond to market competition by a completely independent company to improve efficiency effectively.

2. Diversification of product lines and business models: the Company will try to find new opportunities in the areas of channel reuse, new business expansion and introduction of new product lines. It will make expansion with existing business advantages, optimize business landscape and improve business quality.

3. Increase technological innovation and product R&D investment: products are the fundamental of multimedia business. In 2018, the Company will continue to increase investment in technological innovation and product R&D.

(III) Supply chain management

Optimize and upgrade business model: the Company will continuously optimize and upgrade the business model of supply chain management with risk control, and improve business management and gross profit margin while ensuring business operations.

(IV) White goods

1. To promote quality projects, focus on improving product structure, increase the proportion of high-end products, strengthen cooperation with professional colleges and research institutes, push forward healthy + intelligent products and develop impressive quality models with Konka characteristics.

2. Strengthen promotion and advertisement of white goods brands of the Company, and plan marketing events and other brand promotion activities for differentiated products to increase the visibility, popularity and reputation of the Company.

(V) Internet business

1. To realize the operation of users and diversification of users: on the one hand, expands business to mobile phone users on the basis of traditional smart TVs to earn more backward revenues; on the other hand, realize diversification of channels for acquiring users.
2. Diversify profit model: gradually engage in the content industry and license area in upstream to change the original unitary profit model of Internet business.
3. Enhance operator business: promote the expansion of multi-modal intelligent terminals by diversified cooperation models, thus to realize rapid growth of operator business.
4. Make breakthroughs in the operation of official mall: further improve the online service quality and user experience of the Company official website, line up online and offline services with multi-level and comprehensive user operation to achieve rapid development of the official mall.

(VI) Mobile phone business

1. To promote the Yibin project as scheduled to ensure the relocation of mobile phone business, enhance operation efficiency and improve the operation of mobile phone business.
2. To take opportunities to expand in terms of new modes, new services and new products based on stabilizing the main mobile phone business and improving operations, integrate new services in smart terminal to create smart terminal platforms, and achieve a successful transition with new business layouts.

(VII) Investment

1. Assist the Company in completing industrial layout and transformation and upgrading with full use of capitals based on the strategic deployment of the Company, and realize enlargement, strengthening and improvement of existing business segments to complete internal industrial upgrading.
2. Accelerate the development model of "investment & holding + finance" for leapfrog development of the Company.

(VIII) Venture investment

1. Build a professional venture investment team and gradually realize the five-in-one operation model of integration of innovation base, venture funds, entrepreneurial media, innovation and cloud service platforms, and build a diversified profit system while expanding influences.
2. Improve the quality of development, and reserve and incubate high-quality enterprises to lay a foundation for the Company's business expansion.

X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

1. During Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

Part V Significant Events

I Cash and/or Share Dividend Payouts to Common Shareholders

Formulation, execution or adjustments of dividend payout policy, especially cash dividend policy, for common shareholders 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.

Explanation on cash dividend policy	
In compliance with the Company's Articles of Association and relevant resolution of meeting of shareholders	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 were able to fully express their opinion and desire and their legal rights and interests were fully protected	Yes
In case of adjusting or changing cash dividend policy, conditions and procedure were in compliance with applicable regulations and transparent	Yes

Cash and/or share dividend plans/proposals for common shareholders in the past three years (including the Reporting Period):

1. Dividend Payout Proposal 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 should be distributed to all the shareholders, with the expected total dividend payout reaching RMB390,087,156.10. And the undistributed profits should carry forward for future payout.

2. 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/share dividend for the year.

3. Dividend Payout Plan for 2015

The audited net income attributable to the owners of the Parent Company was RMB-1,256,819,314.51 and the undistributed profits were RMB-522,836,282.66 for 2015. In light of the Company's realities and long-term development needs, the Company neither record capital reserves nor distribute cash/share dividend for the year.

4. Dividend Payout Plan for H1 2015

Based on the total shares of 1,203,972,704 as of the end of June 2015, the Company distributed a capital-reserves-converted share dividend of 10 shares per 10 shares to its shareholders. The total share dividend was 1,203,972,704 shares, which increased the Company's total shares to 2,407,945,408 shares.

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

Unit: RMB

Year	Cash dividends (tax included)	Net income attributable to common shareholders of the listed company in consolidated statements for the year	Cash dividends (tax included) as a percentage of net income attributable to common shareholders (%)	Cash dividends in other forms	Ratio of cash dividends in other forms
2017	390,087,156.10	5,057,025,155.71	7.71%	0.00	0.00%
2016	0.00	95,673,028.03	0.00%	0.00	0.00%
2015	0.00	-1,256,819,314.51	0.00%	0.00	0.00%

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

Applicable Not applicable

II Cash and/or Share Dividend Proposal for Reporting Period

Applicable Not applicable

Share dividend per 10 shares from retained earnings (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	1.62
Share dividend per 10 shares from capital reserves (share)	0
Share base (share)	2,407,945,408
Total cash dividends (RMB) (tax inclusive)	390,087,156.10
Distributable profits (RMB)	5,057,025,155.71
Cash dividends as a percentage of total profits to be distributed (%)	100%
Type of cash dividend payout	
Other	
Details about cash and/or share dividend proposal	
<p>The audited net income attributable to the owners of the Parent Company was RMB5,057,025,155.71 and the undistributed profits were RMB4,260,125,492.57 for 2017. In light of the applicable laws and regulations, the Company's Articles of Association and its long-term development needs, the 2017 dividend payout plan was proposed as follows: 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 should be distributed to all the shareholders, with the expected total dividend payout reaching RMB390,087,156.10; and the undistributed profits should carry forward for future payout.</p>	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in Reporting Period or Ongoing at Period-End

Applicable Not applicable

No such cases in the Reporting Period.

2. Where there had been 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 Funds by Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

V Explanations Given by Board of Directors, Supervisory Board and Independent Directors (If Any) Regarding "Independent Auditor's Modified Opinion" for Reporting Period

Applicable Not applicable

VI YoY Change in Accounting Policies, Estimates and Methods

Applicable Not applicable

During 2017, the Ministry of Finance promulgated the Accounting Standard No. 16 for Business Enterprises—Government Subsidies (Revised in 2017) (CK [2017] No. 15) (hereinafter referred to as the "Accounting Standard No. 16") and the Accounting Standard No. 42 for Business Enterprises — Non-Current Assets and Disposal Groups Classified as Held for Sale and Discontinued Operations (CK [2017] No. 13) (hereinafter referred to as the "Accounting Standard No. 42"). The Accounting Standard No. 16 has become effective since June 12, 2017 with all the enterprises that adopt the Accounting Standards for Business Enterprises (or the Chinese Accounting Standards, "CAS"), and the Accounting Standard No. 42 since May 28, 2017. As per the two Standards, the Company needed to adjust its accounting policies accordingly.

Before the adjustments, the Company adopted the Accounting Standard No. 16 for Business Enterprises — Government Subsidies as mentioned in the Notice of the Ministry of Finance Regarding Issuing 38 Specific Accounting Standards (CK [2006] No. 3) released on February 15, 2006.

After the adjustments, the Company has adopted the Accounting Standard No. 16 for Business Enterprises — Government Subsidies (Revised in 2017) (CK [2017] No. 15). Its government subsidies existing on January 1, 2017 were treated using the prospective application method, and the new government subsidies arising during the period January 1, 2017 through the effective date of the new Accounting Standard No. 16 were adjusted as per the new standard. Additionally, the Company has also adopted the Accounting Standard No. 42 for Business Enterprises—Non-Current Assets and Disposal Groups Classified as Held for Sale and Discontinued Operations (CK [2017] No. 13). The non-current assets and disposal groups classified as held for sale and discontinued operations existing on the effective date of the Accounting Standard No. 42 were treated using the prospective application method.

These adjustments only affect the presentation of asset disposal income, other income, non-operating income and non-operating expense in the income statements, and have no impact on

the Company's net asset value or net income.

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

Applicable Not applicable

No such cases in the Reporting Period.

VIII YoY Change in Scope of Consolidated Financial Statements

Applicable Not applicable

① Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. has been deconsolidated since November 30, 2017 when the Company sold its 70% stake in this subsidiary.

② Kunshan Konka Electronic Co., Ltd. has been deconsolidated since September 26, 2017 when the Company sold its 51% stake in this subsidiary.

③ Konka Ventures Development (Shenzhen) Co., Ltd. was incorporated by the Company and Shenzhen Qianhai TONGGAM Technology Co., Ltd. on Oct. 26, 2017 with a registered capital of RMB 5 million, of which the Company contributed RMB 2.55 million (or 51.00%) in cash and Shenzhen Qianhai TONGGAM Technology Co., Ltd. contributed RMB 2.45 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Oct. 26, 2017.

④ Shenzhen Konka Pengrun Technology & Industry Co., Ltd. was incorporated by the Company, Guizhuo Huajinrun Science and Technology Group Co., Ltd. and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 50 million, of which the Company contributed RMB 25.5 million (or 51.00%) in cash, Guizhuo Huajinrun Science and Technology Group Co., Ltd. contributed RMB 15 million (or 30.00%) in cash, and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. contributed RMB 9.5 million (or 19.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Sep. 15, 2017.

⑤ Shenzhen Konka Unifortune Supply Chain Management Co., Ltd. was incorporated by the Company and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 30 million, of which the Company contributed RMB 15.3 million (or 51.00%) in cash, and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. contributed RMB 14.7 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Sep.15, 2017.

⑥ Shenzhen Konka Investment Holding Co., Ltd. was incorporated by the Company in Shenzhen on Mar. 6, 2017 with a registered capital of RMB 40 million, which will all be paid by the Company. As of the balance sheet date, the Company has not yet actually made the payment. For the Company

has control over this new subsidiary, it has been included into the Company's consolidation scope since Mar. 6, 2017.

⑦ Anhui Kangzhi Trade Co., Ltd. was incorporated in Chuzhou, Anhui Province on Mar. 8, 2017 by Anhui Konka Electronic Co., Ltd., a subsidiary of the Company, with a registered capital of RMB 5 million, which will all be paid by Anhui Konka Electronic Co., Ltd. As of the balance sheet date, Anhui Konka Electronic Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Mar. 8, 2017.

⑧ Hainan Konka Material Technology Co., Ltd. was incorporated by Shenzhen Konka Household Appliances Co., Ltd. (a subsidiary of the Company) and Shenzhen Mushen Industrial Co., Ltd. on Jul. 10, 2017 with a registered capital of RMB 10 million, of which Shenzhen Konka Household Appliances Co., Ltd. will contribute RMB 5.1 million (or 51.00%) and Shenzhen Mushen Industrial Co., Ltd. will contribute RMB 4.9 million (or 49.00%). For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Jul. 10, 2017. As of the balance sheet date, the contributions have not yet been actually paid.

⑨ Tianjin Konka Leasing Co., Ltd. was incorporated in Tianjin on Nov. 30, 2017 by Beijing Konka Electronic Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 170 million, of which all will be paid by Beijing Konka Electronic Co., Ltd. As of the balance sheet date, Beijing Konka Electronic Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 30, 2017.

⑩ Yantai Konka Healthcare Enterprise Service Co., Ltd. was incorporated in Yantai, Shandong Province on Nov. 24, 2017 by Konka Ventures Development (Shenzhen) Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Konka Ventures Development (Shenzhen) Co., Ltd. As of the balance sheet date, Konka Ventures Development (Shenzhen) Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

⑪ Shenzhen Konka Capital Equity Investment Management Co., Ltd. was incorporated in Shenzhen on Nov. 24, 2017 by Shenzhen Konka Investment Holding Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 10 million, of which all will be paid by Shenzhen Konka Investment Holding Co., Ltd. As of the balance sheet date, Shenzhen Konka Investment Holding Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

⑫ Chain Kingdom (Shenzhen) Co., Ltd. was incorporated in Shenzhen on Jun. 9, 2017 by Chain

Kingdom Co., Limited (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Chain Kingdom Co., Limited. As of the balance sheet date, Chain Kingdom Co., Limited has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Jun. 9, 2017.

⑬ Anhui Konka Household Appliances Co., Ltd. (a subsidiary of the Company) has been cancelled for it has been absorbed by Anhui Konka Tongchuang Household Appliances Co., Ltd. (another subsidiary of the Company) on May 17, 2017.

⑭ Indonesia Konka Electronics Co., Ltd., a subsidiary of the Company, was liquidated during 2017. As of the balance sheet date, Indonesia Konka Electronics Co., Ltd. has distributed its remaining assets but has not yet completed the cancellation procedure with the industrial and commerce administration.

IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

Name of the domestic CPAs firm	Ruihua Certified Public Accountants LLP
The Company's payment for the domestic CPAs firm (RMB'0,000)	140
Consecutive years of the audit service provided by the domestic CPAs firm	5 Years
Names of the certified public accountants from the domestic CPAs firm	Liu Jianhua and Shen Lingzhi
Name of the foreign CPAs firm (if any)	Not applicable
Remuneration for foreign CPAs firm for the Reporting Period (RMB'0,000) (if any)	0
Consecutive years of the audit services provided by foreign CPAs firm (if any)	Not applicable
Name of certified public accountants from foreign CPAs firm (if any)	Not applicable

Indicate by tick mark whether the CPAs firm was changed in this Reporting Period.

Yes No

CPAs firm, financial advisor or sponsor engaged for internal control audit

Applicable Not applicable

During the Reporting Period, as approved by the Shareholders' General Meeting, the Company continued to engage Ruihua Certified Public Accountants as the audit firm on internal control of the

Company for 2017, with the auditing fee for the internal control in 2017 as RMB0.4 million (excluding tax).

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

Applicable Not applicable

XI Bankruptcy and Restructuring

Applicable Not applicable

No such cases in this Reporting Period.

XII Significant Litigations and Arbitrations

Applicable Not applicable

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB' 0,000)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
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 this Reporting Period.

XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

Applicable Not applicable

XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or other Incentive Measures for Employees

Applicable Not applicable

No such cases in this Reporting Period.

XVI Significant Related-party Transactions

1. Related-party Transactions Relevant to Routine Operation

Applicable Not applicable

Related	Relatio	Type of	Content	Pricing	Transa	Transa	Proport	Appro	Wheth	Settle	Similar	Disclos	Disclo
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party	relationship	the related-party transaction	of the related-party transaction	principle of the related-party transaction	transaction price	transaction amount (RMB '0,000)	transaction in same kind of transactions	transaction quota (RMB '0,000)	whether exceed the approved quota	payment method of the related-party transaction	market price	effective date	disclosure index
Anhui Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	3,227	0.32%	4,500	No	Cash	Not applicable	03/31/2017	www.cninfo.com.cn
Suzhou Huali Environmental Packing Technology Co., Ltd	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,330	0.13%	1,500	No	Cash	Not applicable		
Huali Packing (Huizhou) Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	930	0.09%	1,500	No	Cash	Not applicable		
Shenzhen Overseas Chinese Town Co., Ltd. and its affiliated companies	Under the same actual controller	Sales of goods	Sales of goods Sales of LCD	Negotiated price	Market price	2,543	0.27%	2,000	Yes	Cash	Not applicable		
Shenzhen OCT Property Service Co., Ltd	Under the same actual controller	Provide property management services	Provide property management services	Negotiated price	Market price	994	0.10%	1,000	No	Cash	Not applicable		
Shenzhen	Under the	Provide	Assist	Negotiated	Market	1,500	0.15%	2,000	No	Cash	Not		

OCT Real Estate Co., Ltd	same actual controller	services	in developing old quarter reconstruction project	ated price	price						applicable	
Total						10,524		12,500				
Details of large amount of sales returns				Not applicable								
As for the prediction on the total amount of routine related-party transactions to be occurred in the Reporting Period by relevant types, the actual performance in the Reporting Period (if any)				The Company has published the Forecasting Public Notice on Routine Related Transaction for Y2017 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 on March 31, 2017. In the Reporting Period, the basis for pricing, transaction price, and settlement methods of raw materials purchased by the Company were basically in accordance with the forecast. Due to the influences of market changes and business adjustment on transaction amount, there was some difference between related-party transactions and actual situations, which belonged to normal operation. The total amount of routine related-party transactions didn't exceed the approved amount, which has fewer impacts on the Company's routine operation and performances. The total amount was RMB105.24 million.								
Reason for significant difference between the transaction price and the market price				Not applicable								

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

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

Joint investors	Relation	Name of the investee	Main business of the investee	Registered capital of the investee	Total asset of the investee (RMB'0,000)	Net asset of the investee (RMB'0,000)	Net profit of the investee (RMB'0,000)
OCT (Chengdu) Investment Co., Ltd, Sichuan Liangdian Real Estate Co., Ltd, and Chengdu Sports Industry Co.,	OCT (Chengdu) Investment Co., Ltd is the indirect holding company of Overseas Chinese Town Enterprises Co., who is the largest shareholder and the actual controller of the Company. According to the Stock Listing Rules of Shenzhen Stock Exchange, this transaction is the	Yibin OCT Sanjiang Real Estate Co., Ltd	Development and operation of real estate	RMB0.6 billion	79,438.11	59,827.16	-172.83

Ltd	related transaction.						
The progress of significant construction in process of the invested company (if any)				N/A			

4. Credits and Liabilities with Related Parties

Applicable Not applicable

Whether there is non-operating credits and liabilities with related parties

Yes No

Liabilities of parties related to account payable

Related party	Relation with the Company	Formation reason	Opening balance (RMB' 0,000)	Amount newly added in current period (RMB' 0,000)	Amount returned in current period (RMB' 0,000)	Interest rate	Current interest (RMB' 0,000)	Closing balance(RMB' 0,000)	
OCT Enterprises Co., Ltd	Controlling shareholder	The company applies for entrusted loan to it	160,000		160,000.00	3.10%-4.35%	5,825.88	0	
OCT Enterprises Co., Ltd	Controlling shareholder		90,000		90,000.00	3.18%-4.35%	3,399.11	0	
OCT Enterprises Co., Ltd	Controlling shareholder		90,000		90,000.00	3.06%-4.35%	2,984.89	0	
OCT Enterprises Co., Ltd	Controlling shareholder		3,000		3,000.00	4.75%	132.21	0	
OCT Enterprises Co., Ltd	Controlling shareholder				50,000.00	4.52%	532.73	0	
OCT Enterprises Co., Ltd	Controlling shareholder				154,000.00	154,000.00	6.00%	1,925.00	0
Influences on operating results and financial situations			Meeting the capital needs of the existing business development of the Company and effectively reducing the cost of financing of the Company.						

Note: Overseas Chinese Town Enterprises Co. ("OCT Group" for short) granted a loan of RMB0.66 billion to Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd., previously a majority-owned subsidiary of the Company, at an annualized interest rate of 6% (or RMB8.91 million in value).

5. Other Significant Related Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XVII Significant Contracts and Execution**1. Entrustment, Contracting and Leasing****(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) Leasing

Applicable Not applicable

Lease description

No such cases in the Reporting Period.

During the Reporting Period, the rent paid by Konka R & D Building was approximately RMB 69,289,672.42.

The profits and losses brought to the company to achieve the company's total profit in the Reporting Period more than 10% of the project

Applicable Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

Applicable Not applicable

(1) List of guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guarantee d party	Disclosure date of relevant announcement	Amou nt for guara ntee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guara ntee	Perio d of guar antee	Executed or not	Guarante e for a related party or

								not
N/A	N/A	0	N/A	0	N/A	0	N/A	N/A
Total external guarantee line approved during the Reporting Period (A1)			13,000	Total actual occurred amount of external guarantee during the Reporting Period (A2)			0	
Total external guarantee line that has been approved at the end of the Reporting Period (A3)			13,000	Total actual external guarantee balance at the end of the Reporting Period (A4)			0	
Guarantees between the Company and its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Anhui Tongchuang	03/31/2017	35,000	10/24/2017	6,000	Joint liability guaranty	1 year	No	No
			11/06/2017	2,000	Joint liability guaranty	1 year	No	No
50,000		10/11/2017	50,000	Joint liability guaranty	1 year	No	No	
Yishijie		4,800	07/21/2017	2,000	Joint liability guaranty	1 year	No	No
Hong Kong Konka		09/27/2017	355,000	3,267	Joint liability guaranty	1 year	No	No
		10/13/2017		22,870	Joint liability guaranty	1 year	No	No
		04/24/2017		6,534	Joint liability guaranty	1 year	No	No
		05/22/2017		13,068	Joint liability guaranty	1 year	No	No
		06/12/2017		6,534	Joint liability guaranty	1 year	No	No
		08/28/2017	6,534	Joint liability guaranty	1 year	No	No	
Konka	220,000	10/17/2017	50,000	Joint liability	1 year	No	No	

Factoring					guaranty			
			10/24/2017	20,000	Joint liability guaranty	1 year	No	No
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)			909,800	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)			188,807	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)			909,800	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)			188,807	
Guarantees provided by the subsidiaries for their subsidiaries								
Guarantee and party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
N/A	N/A	0	N/A	0	N/A	0	N/A	N/A
Total guarantee line approved for the subsidiaries during the Reporting Period (C1)			0	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)			0	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (C3)			0	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (C4)			0	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)			922,800	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)			188,807	
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)			922,800	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			188,807	
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				41.72%				
Of which:								
Amount of debt guarantee provided for shareholders, actual controller and the related-party (D)						0		
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)						188,807		
Total guarantee amount exceeded 50% of the net assets (F)						0		
Total amount of the above three guarantees (D+E+F)						188,807		
Explanation on the occurred warranty liability or possible bearing joint responsibility of liquidation due to immature guarantee (if any)						N/A		
Explanation on provision of guarantees for external parties in violation of the prescribed						N/A		

procedure (if any)	
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Explanation on guarantee that adopts complex method

N/A

(2) Illegal Provision of Guarantees for External Parties

Applicable Not applicable

No such cases in the Reporting Period.

3. Entrusted Cash Management

(1) Entrusted Cash Management

Applicable Not applicable

Overviews of entrusted cash management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount
Trusted financial products	Self-owned funds	97,900	97,900	0
Bank financial products	Self-owned funds	55,000	40,000	0
Total		152,900	137,900	0

Particulars of entrusted cash management with single significant amount or low security, bad liquidity, and no capital preservation

Unit: RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Resourc e of funds	Initial date	End ed Date	Use of fund	Met hod of pay men t dete rmin atio n	Ann ual yiel d for refer ence	Esti mat e prof it (if any)	Am ount of actu al prof its or loss es in Rep ortin g Peri od	Act ual reco very of prof its or loss es in Rep ortin g Peri od	Am ount with dra wn imp airm ent prov isio n (if any)	Wh ethe r go thro ugh stat or procedur es	Wh ethe r the wea lth man age men t entr ust men t plan in	Ove rvie w of the item and relat ed inde x for inqu irin g (if any)
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																futu re or not
Boha i trust	Trust	Trusted financia l product s	15, 000	Self- owne d funds	08/29 /2017				9.00 %		417. 95	417. 95	0	Yes	Yes	
Boha i trust	Trust	Trusted financia l product s	50, 000	Self- owne d funds	09/06 /2017				9.00 %		1294 .52	1294 .52	0	Yes	Yes	
Boha i trust	Trust	Trusted financia l product s	7,0 00	Self- owne d funds	09/27 /2017				9.00 %		144. 98	144. 98	0	Yes	Yes	
Boha i trust	Trust	Trusted financia l product s	3,8 50	Self- owne d funds	10/26 /2017				9.00 %		52.2 1	52.2 1	0	Yes	Yes	
Boha i trust	Trust	Trusted financia l product s	6,0 00	Self- owne d funds	12/07 /2017				9.00 %		19.2 3	19.2 3	0	Yes	Yes	
Boha i trust	Trust	Trusted financia l product s	16, 050	Self- owne d funds	12/15 /2017				9.00 %		19.7 8	19.7 8	0	Yes	Yes	
Total			97, 900								1,94 8.67		0			

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

Overviews of entrusted loans during the Reporting Period

Unit: RMB'0,000

Total amount incurred	Capital resources	Undue Balance	Overdue amount
2,000	Self-owned funds	2,000	0

There was no entrusted loan with single significant amount or low security, bad liquidity, and no capital preservation of the Company

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 Significant Contracts

Applicable Not applicable

No such cases in this Reporting Period.

XVIII Social Responsibilities**1. Social Responsibilities Taken**

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 concerns about environmental changes and close relationships with environment by creating low carbon economy in technical innovation, from green manufacturing, green products to green industry circular economy. The Company would provide efforts in protecting global ecological environment. In June, 2012, subsidized products catalogue had been released jointly by National Development and Reform Commission, Ministry of Industry and Information and Ministry of Finance.

In the new year, the Company would undertake all social responsibilities by improving strategic management, sustainable development and enterprise economic efficiency. It would retribute 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. Targeted Measures Taken to Help People Lift themselves out of Poverty

(1) Plan for Targeted Measures

The Company and the China Youth Development Foundation (CYDF) have jointly held the large public benefit activity “Heart Journey” since 2013. Five sessions of activities have been held until now. In 2013, we helped thousands of migrant workers to go home. In 2014, we planted tens of thousands of trees nationwide and improved the living conditions of 5,000 needy families by planting the economic and ecological trees. In 2015, we donated nearly 100 music classrooms to the remote regions of China by carrying out “Happy Music Classroom” Project with CYDF. In 2016, we sponsored the professional training of 100 music teachers in remote areas to promote the construction of teaching staff in poverty-stricken areas.

(2) Outline of Targeted Measures in the Reporting Period

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.

(3) Results of Targeted Measures

Indicator	Measurement unit	Number/Progress
I. General condition	---	---
Of which: 1. Capital	Unit: RMB'0,000	50
II. Itemized investment	---	---
4. Out of poverty by education	---	---
4.3 improve invested amounts of educational resources in poverty-stricken areas	Unit: RMB'0,000	50

(4) Subsequent Targeted Measure Plans

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

3. Particulars Relevant to Environmental Protection

Is the Company or any of its subsidiaries a heavily polluting business identified by the environmental protection authorities of China?

No.

The Company and its holding subsidiaries are not the heavily polluting business after the check of the Company.

The Company and its subsidiaries implement environmental protection laws and regulations such as Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution and Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution and Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, and did not violate any laws or regulations during the reporting period.

XIX Other Significant Events

Applicable Not applicable

(I) Project for the establishment of multimedia services company: On November 17, 2017, the 37th meeting of the 8th Board of Directors of the Company reviewed and passed the Proposal on the Establishment of Konka Multimedia Services Company. At present, Shenzhen Konka Electronic Technology Co., Ltd. has been established. The Company is working in the process of sorting out transaction mode, asset allocation and operation mode, and will complete the project as soon as possible.

(II) Planning and setting up of industrial funds and strategic cooperation projects with China Orient Asset Management (International) Holdings Co., Ltd.: at present, specific plans for the establishment of industrial funds between the Company and China Orient Asset Management (International) Holdings Co., Ltd. are still under negotiation.

(III) Listing transfer of Properties in Shanghai: the 34th meeting of the 8th Board of Directors of the Company passed the “Proposal on the Listing Transfer of Certain Properties” on August 23, 2017. At present, the evaluation reports of the properties listed for transfer has already been completed, and the Company is performing the listed transfer procedures of state-owned property rights in accordance with the relevant provisions for the transfer of state-owned assets.

(IV) Disclosure index of significant information

Announcement No.	Date	Title	Page on newspaper	Link on http://www.cninfo.com.cn
2017-01	01/17/2017	Announcement about the Progress of Investing and Constructing Konka Scientific Creation Center	Securities Times B80, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-01-17/1203018565.PDF
2017-02	01/21/2017	Announcement on the 2016 Earnings Forecasts	Securities Times B68, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2017-01-21/1203035594.PDF
2017-03	02/18/2017	Announcement on the Resolution of the 25 th Session of the 8 th Board of Directors	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090685.PDF
2017-04	02/18/2017	Notice on Convening the 2017 1 st Extraordinary General Meeting	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090686.PDF
2017-05	02/18/2017	Announcement about Offering Entrusted Loans to joint Stock Company	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090689.PDF
2017-06	03/07/2017	Announcement on the Resolution of the 2017 1 st Extraordinary General Meeting	Securities Times B57, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-03-07/1203134012.PDF
2017-07	03/11/2017	Announcement on the Resolution of the 26 th Session of the 8 th Board of Directors	Securities Times B45, Ta Kung Pao A26	http://www.cninfo.com.cn/finalpage/2017-03-11/1203148741.PDF
2017-08	03/11/2017	Announcement about Put Forward “three old” Renovation Project of Wankang Factory and investing and building New Factory in Dongguan	Securities Times B45, Ta Kung Pao A26	http://www.cninfo.com.cn/finalpage/2017-03-11/1203148742.PDF
2017-09	03/31/2017	Announcement on the 2016 Annual Report		http://www.cninfo.com.cn/finalpage/2017-03-31/1203237063.PDF
2017-10	03/31/2017	Announcement on the Abstract of the 2016 Annual Report	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237062.PDF

2017-11	03/31/2017	Announcement on the Resolution of the 28 th Session of the 8 th Board of Directors	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237057.PDF
2017-12	03/31/2017	Announcement on the Resolution of the 13 th Session of the 8 th Board of Directors	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237042.PDF
2017-13	03/31/2017	Announcement on the Expectation of the 2017 Routine Related Transaction	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237058.PDF
2017-14	03/31/2017	Announcement about the External Guarantee of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237056.PDF
2017-15	03/31/2017	Announcement about Related Transaction of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237059.PDF
2017-16	03/31/2017	Announcement about Applying for the Limit of Financial Products of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237043.PDF
2017-17	03/31/2017	Notice on Convening the 2016 Annual General Meeting	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237041.PDF
2017-18	04/08/2017	Announcement on Receiving the Tax Reimbursement Events	Securities Times B40, Ta Kung Pao A6	http://www.cninfo.com.cn/finalpage/2017-04-08/1203260578.PDF
2017-19	04/15/2017	Announcement on the 2017 First Quarter Earnings Forecasts	Securities Times B61, Ta Kung Pao A11	http://www.cninfo.com.cn/finalpage/2017-04-15/1203298268.PDF
2017-20	04/20/2017	Announcement about Some Vice President of the Company officially Performing Duties	Securities Times B24, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2017-04-20/1203331863.PDF
2017-21	04/25/2017	Announcement on the Resolution of the 2015 Annual General Meeting	Securities Times B41, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2017-04-25/1203376714.PDF
	04/25/2017	Legal Opinion of Konka Group 2016 Annual General Meeting	Securities Times B12	http://www.cninfo.com.cn/finalpage/2017-04-25/1203376713.PDF
2017-22	04/29/2017	2017 First Quarter Report		http://www.cninfo.com.cn/finalpage/2017-04-29/1203422671.PDF
2017-23	04/29/2017	Text of the 2017 First Quarter Report	Securities Times B189, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2017-04-29/1203422669.PDF
2017-24	05/23/2017	Announcement on the Resolution of the 30 th Session of the 8 th Board of Directors	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553957.PDF
2017-25	05/23/2017	Announcement on the Related Transactions	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553958.PDF

2017-26	05/23/2017	Announcement about the Plan of Listing to Transfer Equity of Yingrui Photoelectric	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553959.PDF
2017-27	05/23/2017	Notice on Convening the 2017 2 nd Extraordinary General Meeting	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553955.PDF
2017-28	06/10/2017	Announcement on the Resolution of the 2017 2 nd Extraordinary General Meeting	Securities Times B48, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-06-10/1203606560.PDF
2017-29	06/22/2017	Announcement about the Progress That Plan of Listing to Transfer Equity of Yingrui Photoelectric	Securities Times B40, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-06-22/1203637987.PDF
2017-30	06/24/2017	Announcement about the Resign of Non-independent Director of the Company	Securities Times B36, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-06-24/1203642993.PDF
2017-31	06/27/2017	Announcement on Receiving the Tax Reimbursement Events	Securities Times B13, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2017-06-27/1203648572.PDF
2017-32	06/30/2017	Announcement on the Resolution of the 31 th Session of the 8 th Board of Directors	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665192.PDF
2017-33	06/30/2017	Announcement about Planning to Set Up Industry Funds	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665190.PDF
2017-34	06/30/2017	Announcement about the Listing to Transfer Part of Equity of Kangqiao Jiacheng Company	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665200.PDF
2017-35	06/30/2017	Announcement about the Listing to Transfer Part of Equity of Kunkang Company	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665201.PDF
2017-36	06/30/2017	Announcement about Investing Chutian Dragon	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665191.PDF
2017-37	06/30/2017	Notice on Convening the 2017 3 rd Extraordinary General Meeting	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665193.PDF
2017-38	07/05/2017	Announcement on the Progress of the investment into Chutianlong	Securities Times B1, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2017-07-05/1203681608.PDF
2017-39	07/13/2017	Announcement on signing strategic cooperation agreement	Securities Times B5, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2017-07-13/1203699941.PDF
2017-40	07/14/2017	Announcement on the 2017 Semi-annual Earnings Forecasts	Securities Times B52, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2017-07-14/1203703349.PDF
2017-41	07/18/2017	Announcement on the Resolution of the 2017 3 rd Extraordinary General Meeting	Securities Times B73, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2017-07-18/1203710285.PDF

	07/18/2017	Legal Opinions of the 3 rd Extraordinary General Meeting in 2017 of Konka Group	Securities Times B73, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2017-07-18/1203710284.PDF
2017-42	07/20/2017	Indicative Announcement on the increase of the Company's Stock by subordinate wholly-owned subsidiary of controlling shareholder	Securities Times B105, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-07-20/1203715860.PDF
	07/21/2017	Report of Equity Changes of KonkaGroup Co., Ltd	Securities Times B96, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2017-07-21/1203722079.PDF
2017-43	08/25/2017	Announcement on the Abstract of the 2017 Semi-annual Report	Securities Times B141, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-08-25/1203862787.PDF
2017-44	08/25/2017	Announcement on the 2017 Semi-annual Report		http://www.cninfo.com.cn/finalpage/2017-08-25/1203862790.PDF
2017-45	08/25/2017	Announcement on the Resolution of the 34 th Session of the 8 th Board of Directors	Securities Times B141, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-08-25/1203862777.PDF
2017-46	08/25/2017	Announcement about the Plan of Listing to Transfer Equity of Kangqiao Jiacheng	Securities Times B141, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-08-25/1203862778.PDF
2017-47	08/25/2017	Announcement about the Plan of Listing to Transfer Part of Real Estates	Securities Times B141, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-08-25/1203862779.PDF
2017-48	08/25/2017	Notice on Convening the 2017 4 th Extraordinary General Meeting	Securities Times B141, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-08-25/1203862780.PDF
2017-49	09/12/2017	Announcement on the Resolution of the 2017 4 th Extraordinary General Meeting	Securities Times B49, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-09-12/1203964166.PDF
2017-50	09/23/2017	Announcement about the Progress That Plan of Listing to Transfer Part of Equity of Kunkang Company	Securities Times B41, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2017-09-23/1203995662.PDF
2017-51	09/28/2017	Announcement on the Complement of industrial and commercial registration of changes for the Transfer of Part of Equity of Kunkang Company	Securities Times B21, Ta Kung Pao A31	http://www.cninfo.com.cn/finalpage/2017-09-28/1204006821.PDF
2017-52	10/14/2017	Announcement on the 2017 Third Quarter Earnings Forecasts	Securities Times B20, Ta Kung Pao A18	http://www.cninfo.com.cn/finalpage/2017-10-14/1204039071.PDF
2017-53	10/28/2017	Text of the 2017 Third Quarter Report	Securities Times B3, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2017-10-28/1204084385.PDF
2017-54	10/28/2017	2017 Third Quarter Report		http://www.cninfo.com.cn/finalpage/2017-10-28/1204084389.PDF

2017-55	11/15/2017	Announcement about the Progress that Plan of Listing to Transfer Equity of Kangqiao Jiacheng	Securities Times B41, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2017-11-15/1204138496.PDF
2017-56	11/18/2017	Announcement on the Resolution of the 37 th Session of the 8 th Board of Directors	Securities Times B4, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-11-18/1204147407.PDF
2017-57	11/18/2017	Announcement on the Establishment of Company for Multimedia Service	Securities Times B44, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-11-18/1204147410.PDF
2017-58	11/18/2017	Announcement on Joint Stock of the Project of Yibin Sanjiangkou and Related Transaction	Securities Times B44, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-11-18/1204147411.PDF
2017-59	11/22/2017	Announcement about the Progress that Listing to Transfer Equity of Kangqiao Jiacheng	Securities Times B33, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2017-11-22/1204155054.PDF
2017-60	11/22/2017	Announcement about the Determination of Listing to Transfer Equity of Yingrui Photoelectric	Securities Times B3, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2017-11-22/1204155057.PDF
2017-61	11/30/2017	Announcement on the Complement of industrial and commercial registration of changes for the Transfer of Equity of Kangqiao Jiacheng	Securities Times B32, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2017-12-01/1204178169.PDF
2017-62	12/16/2017	Announcement on the Resolution of the 38 th Session of the 8 th Board of Directors	Securities Times B41, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2017-12-16/1204231583.PDF
2017-63	12/16/2017	Announcement on Investing and Constructing Intelligent Terminal High-tech Industrial Park in Yibin	Securities Times B41, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2017-12-16/1204231584.PDF
2017-64	12/22/2017	Announcement on the Resolution of the 39 th Session of the 8 th Board of Directors	Securities Times B33, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2017-12-22/1204246028.PDF

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares						19,500	19,500	19,500	0.00%
1.3 Shares held by other domestic investors						19,500	19,500	19,500	0.00%
Among which: Shares held by domestic corporations									
Shares held by domestic individuals						19,500	19,500	19,500	0.00%
2. Non-restricted shares	2,407,945,408	100.00%				-19,500	-19,500	2,407,925,908	100%
2.1 RMB common shares	1,596,593,800	66.31%				-19,500	-19,500	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	100.00%						2,407,945,408	100%

Reasons for the share changes

√ Applicable □ Not applicable

On March 10, 2017, the Company held the 26th meeting of 8th Board of Directors, audited and passed the Bill on the Term-change of Senior Managers, and agreed to hire Mr. Sun Qingyan as the vice president. Mr. Sun Qingyan holds 26,000 shares of A stock (000016), and 75% of the shares is the limited-sales condition according to the related provisions.

Approval of share changes

Applicable Not applicable

Transfer of share ownership

Applicable Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

Applicable Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in the Reporting Period	Increased in the Reporting Period	Closing restricted shares	Reason for unlocking	Date of unlocking
Sun Qingyan	0	0	19,500	19,500	Locked share by senior executives	Undetermined
Total	0	0	19,500	19,500	--	--

II Issuance and Listing of Securities

1. Securities (Excluding Preference Shares) Issued in this Reporting Period

Applicable Not applicable

2. Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures

Applicable Not applicable

(1) No changes of the total number of the Company's equity.

(2) On March 10, 2017, the Company held the 26th meeting of 8th Board of Directors, audited and passed the Bill on the Term-change of Senior Managers, and agreed to hire Mr. Sun Qingyan as the vice president. Mr. Sun Qingyan holds 26,000 shares of A stock (000016), and 75% of the shares is the limited-sales condition according to the related provisions.

(3) No changes of the structure of the Company's assets and liabilities.

3. Existing Employee-held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and their Shareholdings

Unit: share

Total number of shareholders at the end of Reporting Period	91,577	Total number of shareholders on the 30 th trading day before the disclosure date of the annual report	89,197	Total number of preferred stockholder with vote right restored at the end of Reporting Period (if any) (see Notes 8)	0	Total number of preferred stockholder with vote right restored on the 30 th trading day before the disclosure date of the annual report (if any) (see Notes 8)	0	
Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholders	Holding percentage	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
OVERSEAS CHINESE TOWN ENTERPRISES CO.	State-owned corporation	21.75%	523,746,932	0	0	523,746,932		
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	Foreign corporation	7.56%	182,100,202	0	0	182,100,202		
HOLY TIME GROUP LIMITED	Foreign corporation	2.33%	56,049,824	0	0	56,049,824		
GUOYUAN SECURITIES	Foreign corporation	2.27%	54,755,145	-1,412,800	0	54,755,145		

BROKER (HK) CO., LTD.								
GAOLING FUND, L.P.	Foreign corporation	2.19%	52,801,250	0	0	52,801,250		
WANG LEI	Domestic Individual	1.91%	46,109,841	46,109,841	0	46,109,841		
ZHANG YAJIAO	Domestic Individual	0.92%	22,214,963	22,214,963	0	22,214,963		
NAM NGAI	Foreign Individual	0.91%	22,020,040	-1,200,000	0	22,020,040		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned corporation	0.91%	21,832,020	-1,358,600	0	21,832,020		
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	Other	0.84%	20,216,860	20,216,860	0	20,216,860		
Strategic investor or general corporation becoming a top ten ordinary shareholder due to placing of new shares (if any) (see Note 3)	N/A							
Related or act-in-concert parties among the shareholders above	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 common shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.							
Particulars about shares held by the top ten common shareholders holding shares not subject to trading moratorium								
Name of shareholder	Number of tradable shares held at the period-end	Type of shares						
		Type	Number					
OVERSEAS CHINESE TOWN ENTERPRISES CO.	523,746,932	RMB ordinary share	523,746,932					
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	182,100,202	Domestically listed foreign shares	182,100,202					
HOLY TIME GROUP LIMITED	56,049,824	Domestically listed foreign shares	56,049,824					

GUOYUAN SECURITIES BROKER (HK) CO., LTD.	54,755,145	Domestically listed foreign shares	54,755,145
GAOLING FUND, L.P.	52,801,250	Domestically listed foreign shares	52,801,250
WANG LEI	46,109,841	RMB ordinary share	46,109,841
ZHANG YAJIAO	22,214,963	RMB ordinary share	22,214,963
NAM NGAI	22,020,040	Domestically listed foreign shares	22,020,040
CHINA MERCHANTS SECURITIES (HK) LIMITED	21,832,020	Domestically listed foreign shares	21,832,020
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	20,216,860	RMB ordinary share	20,216,860
Related or act-in-concert parties among the top 10 non-restricted ordinary shareholders as well as between the top 10 non-restricted ordinary shareholders and the top 10 ordinary shareholders	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 common shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.		
Top 10 ordinary shareholders conducting securities margin trading (if any) (see Note 4)	Wang Lei and Zhang Yajiao holds 38,044,439 and 18,976,863A-shares, respectively, in the Company through their client accounts of collateral securities for margin trading in GF Securities Co., Ltd.		

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

Yea No

No such cases in this Reporting Period.

2. Information about the Controlling Shareholder

Nature of controlling shareholder: central state-owned holding

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope

Overseas Chinese Town Enterprises Co.	Duan Xiannian	11/11/1985	91440300190346175T	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)
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the Reporting Period	<p>As of December 13, 2017, Overseas Chinese Town Enterprises Co. held 53.47% equity of Shenzhen Overseas Chinese Town Co., Ltd. (a company listed on the main Board of Shenzhen Stock Exchange, SZ. 000069),(According to the decision of the SASAC of the State Council, Overseas Chinese Town Enterprises Co. (“OCT Group” for short) shall gratuitously transfer its holdings of 531,728,156 shares in Shenzhen Overseas Chinese Town Co., Ltd. to Beijing Chengtong Jinkong Investment Co., Ltd. (265,864,078 shares) and Guoxin Investment Co., Ltd. (265,864,078 shares). The gratuitous transfer agreement has been signed and the transfer formalities are currently underway.)</p> <p>meanwhile, Shenzhen Overseas Chinese Town Co., Ltd. indirectly held 66.66% 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.</p>			

Change of the controlling shareholder during this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

3. Information about the Actual Controller

Nature of actual controller: central state-owned assets management institutions

Type of the actual controller: Corporation

Name of actual controller	Legal representative / head of unit	Date of foundation	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng		Not applicable	Not applicable
Shares held by the actual controlling shareholder in other listed companies by holding or				Not applicable

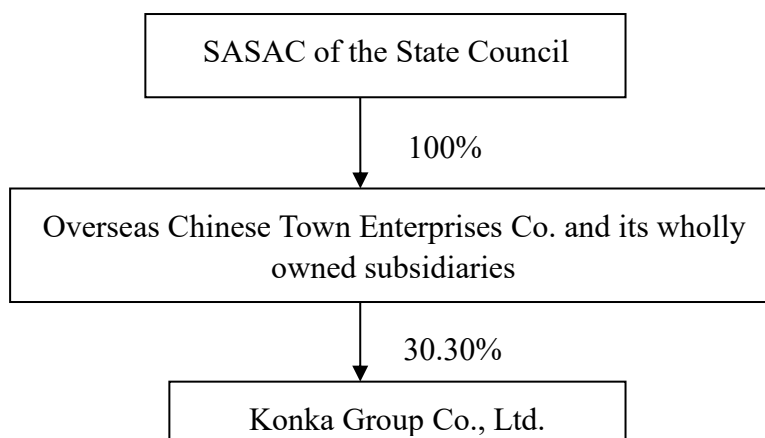
shareholding during the Reporting Period	
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Change of the actual controller during this Reporting Period

Applicable Not applicable

No such cases in this 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. 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

Part VII Preferred Shares

Applicable Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening share holding (share)	Increase in this Reporting Period (share)	Decrease in this Reporting Period (share)	Other increase/decrease (share)	Closing share holding (share)
Liu Fengxi	Director	Incumbent	Male	46	05/28/2015	05/28/2018	0	0	0	0	0
Liu Fengxi	Chairman of the Board	Incumbent	Male	46	06/18/2015	05/28/2018	0	0	0	0	0
Jin Qingjun	Director	Incumbent	Male	61	05/28/2015	05/28/2018	0	0	0	0	0
He Haibin	Director	Incumbent	Male	43	11/05/2015	05/28/2018	0	0	0	0	0
Zhang Jing	Director	Incumbent	Male	36	07/17/2017	05/28/2018	0	0	0	0	0
Sun Shengdian	Independent director	Incumbent	Male	63	11/05/2015	05/28/2018	0	0	0	0	0
Xiao Zuhe	Independent director	Incumbent	Male	52	05/28/2015	05/28/2018	0	0	0	0	0
Zhang Shuhua	Independent director	Incumbent	Male	53	05/28/2015	05/28/2018	0	0	0	0	0
Hao Gang	Supervisor	Incumbent	Male	45	05/28/2015	05/28/2018	0	0	0	0	0
Hao Gang	Supervisor Chairman	Incumbent	Male	45	06/04/2015	05/28/2018	0	0	0	0	0
Wang Youlai	Supervisor	Incumbent	Male	57	11/05/2015	05/28/2018	0	0	0	0	0

Li Jun	Employee supervisor	Incumbent	Male	47	05/25/2015	05/25/2018	0	0	0	0	0
Zhou Bin	President	Incumbent	Male	39	03/10/2017	03/10/2020	0	0	0	0	0
He Jianjun	Vice president	Incumbent	Male	48	03/10/2017	03/10/2020	0	0	0	0	0
Li Hongtao	Vice president	Incumbent	Male	50	03/10/2017	03/10/2020	0	0	0	0	0
Wu Yongjun	Board Secretary	Incumbent	Male	43	03/10/2017	03/10/2020	0	0	0	0	0
Li Chunlei	CFO	Incumbent	Male	45	03/10/2017	03/10/2020	0	0	0	0	0
Yang Bo	Vice president	Incumbent	Male	48	03/10/2017	03/10/2020	0	0	0	0	0
Cao Shiping	Vice president	Incumbent	Male	40	03/10/2017	03/10/2020	0	0	0	0	0
Sun Qingyan	Vice president	Incumbent	Male	46	04/18/2017	03/10/2020	0	26,000	0	0	26,000
Chen Yuehua	Director	Former	Male	55	05/28/2015	06/22/2017	0	0	0	0	0
Huang Zhongtian	Vice president	Former	Male	57	04/04/2014	03/10/2017	0	0	0	0	0
Lin Hongfan	Vice president	Former	Male	47	04/04/2014	03/10/2017	0	0	0	0	0
Total	--	--	--	--	--	--	0	26,000	0	0	26,000

II Changes in Directors, Supervisors and Executive Officers

√Applicable □Not applicable

Name	Position	Type	Date	Reason
Zhang Jing	Director	Engaged	07/17/2017	Elected as director through shareholders meeting
Chen Yuehua	Director	Left	06/22/2017	Resigned owing to the personal reasons
Zhou Bin	President	Engaged	03/10/2017	Engaged by the decision from the

				Board of Directors
Li Chunlei	CFO	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Yang Bo	Vice president	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Cao Shiping	Vice president	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Sun Qingyan	Vice president	Engaged	04/18/2017	Engaged by the decision from the Board of Directors
Huang Zhongtian	Vice president	Expired	03/10/2017	The service term of the Board of Supervisors was expired
Lin Hongfan	Vice president	Expired	03/10/2017	The service term of the Board of Supervisors was expired

III Brief Biographies

Professional backgrounds, main working experience and current responsibilities in the Company of the incumbent directors, supervisors and executive officers

1. Director

Liu Fengxi, male, Han nationality, born in 1972, was the Chairman of the Board and CEO of the Company 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, Han nationality, 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 OCT Capital Investment Management Co., Ltd. as well as a director of Konka Group.

in Qingjun, male, Han nationality, born in 1957, was a director of the Company with a master

degree in law. He once worked as a lawyer in Hong Kong-based law firm and Britain-based law firm, a lawyer of JANG SHINN Law Office and executive partner of Shu Jin Law Firm, the independent director of New China Asset Management Corporation Limited, the independent director of China United Travel Co., Ltd., the independent director of CIMC and the independent director of Tianjin Masterwork Machinery Co., Ltd, and the independent director of Gemdale Group Co., Ltd. Now, he serves as a senior partner of Beijing King & Wood Mallesons Law Firm, the independent director in CSG Holding Co., Ltd., in Guotai Jun'an Securities, and in Invesco Great Wall Fund Management Co., Ltd. as well as the external supervisor of China Merchants Bank Co., Ltd. and a director of Konka Group Co., Ltd.

Zhang Jing, male, Han nationality, born in 1982, was a director of the Company with MBA. He once worked as the GM of President Office in Overseas Chinese Town Enterprises Co., the senior manager, deputy commissioner and chief of Strategic Development Division in Shenzhen OCT Co., Ltd., a member of working group for Qingdao OCT and the chief of Administrative Division (Deputy Director of Party Committee Office) in Shenzhen OCT Properties Co., Ltd. Now, he acts as the GM of Strategy Planning Division in Overseas Chinese Town Enterprises Co., the chief of Investment Management Division in Shenzhen OCT Co., Ltd., the director of OCT (HK) Company Limited, and the Non-executive director of OCT (Asia) Holdings Limited, Chairman of the Board of OCT Business Management Co., Ltd as well as the director of Konka Group.

2. Independent Director

Sun Shengdian, a male senior economist, Han nationality, 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., director, president, Party Committee member, vice GM, vice secretary of Party Committee, GM of Shenzhen Electronics 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.

Xiao Zuhe, a male CPA, Han nationality, born in 1966, was the independent director of the Company with EMBA. Formerly worked as auditor and department manager in Jiangxi Accounting Firm, assistant CFO of Shenzhen Fountain Corporation, auditor in Ho and Ho & Co. in Hong Kong, CFO of Qiaoxing Universal Telephone, Inc. (a company listed in NASDAQ), President of Benefit Capital Limited in Hong Kong. Presently he is working as the chairman of the Board of Tianjin Benefit Equity Investment Fund Management Co., Ltd., chairman of the Board and GM of Tianjin Benefit Equity Investment Fund Partnership (limited partnership), chairman of the Board and GM of Shenzhen Qianhai Benefit Equity Investment Management Co., Ltd., chairman of the Board and

GM of Shenzhen Benefit Equity Investment Fund Partnership (limited partnership), chairman of the Board and GM of Jiangxi Benefit New Material Venture Investment Fund (Limited Partnership), chairman of the Board and GM of Jian Jingkai Benefit Haojun Industrial Investment Partnership (limited partnership), chairman of the Board and GM of Gongqingcheng Benefit Ruicun Investment Management Partnership (limited partnership) and independent director of Konka Group.

Zhang Shuhua, a male CPA, Han nationality, born in 1965, was the independent director of the Company with a bachelor degree. Formerly worked as the principal staff member of Urban Social and Economic Survey Organization of Sichuan Provincial Bureau of Statistics, accountant in charge of Sichuan Newspaper Press, chief financial officer of TOP Pacific Group Pty. Ltd., CFO of Sichuan Bolan Properties Limited, chief financial officer of Sihuan Hanjia Group, chief financial officer of Chengdu Lishen Industry Co., Ltd. and vice financial manager of Jiutai Industry Co., Ltd. Presently working as the certified public accountant and partner of Sichuan Accounting Firm and independent director of Konka Group.

3. Supervisor

Hao Gang, male, Han nationality, born in 1973, was the chief supervisor of the Company with a bachelor degree. He once worked as the deputy director and chief of Inspection Office in Overseas Chinese Town Enterprises Corporation. Now, he serves as the deputy secretary of Commission for Discipline Inspection in OCT Group and chief supervisor of Konka Group.

Wang Youlai, a male engineer, Han nationality, born in 1961, was the supervisor 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 the supervisor of Konka Group.

Li Jun, a male assistant accountant, Han nationality, born in 1971, was a 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 of Auditing and Legal Affairs Department in Konka Group. Presently working as the head of Discipline inspection and Supervision Center, vice chief of the Auditing and Legal Affairs Department, GM of the Internal Control and Risk Management Department, and employee supervisor of Konka Group.

4. Senior Executive

Zhou Bin, male, Han nationality, born in 1979, was the 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 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 Shiping, 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 president of Konka Group.

Posts concurrently held in shareholding entities

√ Applicable □ Not applicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity (yes/no)
Liu Fengxi	OCT Enterprises Co.	Party Committee Standing Committee and vice GM	02/22/2016		Yes
He HaiBin	OCT Enterprises Co.	Party Committee Standing Committee, Chief accountant and Secretary of the Board	01/30/2018		Yes
Zhang Jing	OCT Enterprises Co.	GM of Strategic Planning Department	03/07/2018		Yes
Hao Gang	OCT Enterprises Co.	Chief of Inspection Office	03/01/2010		Yes
Wang Youlai	OCT Enterprises Co.	Full-time director	03/07/2018		Yes
Notes to post-holding in shareholder's unit	1. Except the above situation, other directors, supervisors and senior management didn't hold any position in the shareholders' units. 2. It is unknown the ending date of the posts of Mr. Liu Fengxi, Mr. He Haibin, Mr. Zhang Jing, Mr. Hao Gang and Mr. Wang Youlai held in the shareholders' units.				

Posts held concurrently in other entities

√ Applicable □ Not applicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the entity (yes/no)
Jin	Beijing Kind & Wood Mallesons	Senior partner			
Qingju	CSG Holding Co., Ltd.	Independent			

n		director			
	Guotai Junan Securities Co., Ltd	Independent director			
	Invesco Great Wall Fund Management Co., Ltd.	Independent director			
	China Merchants Bank Co., Ltd.	Supervisor			
He Haibin	OCT Capital Investment Management Co., Ltd.	Chairman of the Board			
Zhang Jing	Shenzhen OCT Co., Ltd.	Chief officer			
	OCT (HK) Company Limited	Director			
	OCT (Asia) Holding Co., Ltd.	Non-executive director			
	OCT Business Management Co., Ltd	Chairman of the Board			
Xiao Zuhe	Tianjin Benefit Equity Investment Fund Management Co., Ltd.	Chairman of the Board			
	Tianjin Benefit Equity Investment Fund Partnership (limited partnership)	Chairman of the Board and GM			
	Shenzhen Qianhai Benefit Equity Investment Management Co., Ltd.	Chairman of the Board and GM			
	Shenzhen Benefit Equity Investment Fund Partnership (limited partnership)	Chairman of the Board and GM			
	Jiangxi Benefit New Material Venture Investment Fund (Limited Partnership)	Chairman of the Board and GM			
	Jian Jingkai Benefit Haojun Industrial Investment Partnership (limited partnership)	Chairman of the Board and GM			
	Gongqingcheng Benefit Ruicun Investment Management Partnership (limited partnership)	Chairman of the Board and GM			
Zhang Shuhua	Sichuan Tan Cheng Certified Public Accountants Co., Ltd.	CPA			
Sun Shengdian	Shenzhen Huakong SEG Co., Ltd.	Vice chairman of the Board			
	China Vanke Co., Ltd.	Chairman of the Board			
Notes to post-holding in shareholder's unit		None			

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

□ Applicable √ Not applicable

IV Remuneration of Directors, Supervisors and Executive Officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

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 Special Meeting of Shareholders 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 Jun. 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	Remuneration from related parties of the Company (yes/no)
Liu Fengxi	Chairman of the Board and CEO	Male	46	Incumbent	16.83	Yes
Jin Qingjun	Director	Male	61	Incumbent	30	No
He Haibin	Director	Male	43	Incumbent	0	Yes
Zhang Jing	Director	Male	36	Incumbent	0	Yes
Sun Shengdian	Independent director	Male	63	Incumbent	0	No
Xiao Zuhe	Independent director	Male	52	Incumbent	30	No
Zhang Shuhua	Independent director	Male	53	Incumbent	30	No

Hao Gang	Chairman of the Supervisory Board	Male	45	Incumbent	0	Yes
Wang Youlai	Supervisor	Male	57	Incumbent	0	Yes
Li Jun	Employee supervisor	Male	47	Incumbent	73.94	No
Zhou Bin	president	Male	39	Incumbent	184.69	No
He Jianjun	Vice president	Male	48	Incumbent	139.3	No
Li Hongtao	Vice president	Male	50	Incumbent	139.3	No
Wu Yongjun	Board Secretary	Male	43	Incumbent	150.1	No
Li Chunlei	CFO	Male	45	Incumbent	150.7	No
Yang Bo	Vice president	Male	48	Incumbent	66.86	No
Cao Shiping	Vice president	Male	40	Incumbent	169.32	No
Sun Qingyan	Vice president	Male	46	Incumbent	57.52	No
Chen Yuehua	Director	Male	55	Former	0	Yes
Huang Zhongtian	Vice president	Male	57	Former	21.8	No
Lin Hongfan	Vice president	Male	47	Former	32.04	No
Total					1292.40	

Notes: The total before-tax remuneration from the Company by Mr. Huang Zhongtian and Mr. Lin Fan listed above were obtained during the period from Jan. to Mar. in 2017 when they served as the vice president of the Company.

Equity incentives for directors, supervisors and executive officers in this Reporting Period

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	2090
Number of in-service employees of main subsidiaries	15732
Total number of in-service employees	17822
Total number of employees with remuneration in this Reporting Period	17822
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	10389
Sales	4126

Technical	1353
Financial	642
Administrative	1312
Total	
Educational backgrounds	17822
Educational background	Number of employees
Master and above	156
Bachelor	2498
College	6424
High school and below	8744
Total	17822

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 2017, 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 Basic Situation 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 2017, 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 strengthened its investor relations management by formulating the Management Rules for Investor Relations and the Management Rules for Information Disclosure and the Rules on Implementation for Information Disclosure Committee. 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. Owing to his efforts in promoting the standardized operations of the listed companies, implementing the requirements of regulatory authorities, investor relations management, as well as the information disclosure, Mr. Xiao Qing, the Board Secretary, has won the title “Golden Board Secretary of New Fortune” from the 10th session, and successively gained the title of Board Secretary in Actively Promoting the Standards and Self-discipline for the Listed Companies from Y2008 to Y2014 in Shenzhen Securities Regulatory Bureau.

(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 2017 and the annual report in 2017. 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 2017 and the annual report in 2017. 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.

Whether it exist any significant difference between the actual corporate governance and the normative documents related to the government of the listed companies issued by CSRC or not?

Yes No

There is no significant difference between the actual corporate governance and the normative documents related to the government of the listed companies issued by CSRC.

II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separate from the Controlling Shareholder

Within 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 Meetings of Shareholders Convened during this Reporting Period

1. Meetings of Shareholders Convened during this Reporting Period

Meeting	Type	Investor	Convened	Disclosure	Index to the disclosed information
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		participation ratio	date	date	
The First Special Meeting of Shareholders in 2017	Special	2.65%	03/06/2017	03/07/2017	http://www.cninfo.com.cn/finalpage/2017-03-07/1203134012.PDF
The 2016 Annual Meeting of Shareholders	Annual	37.09%	04/24/2017	04/25/2017	http://www.cninfo.com.cn/finalpage/2017-04-25/1203376714.PDF
The Second Special Meeting of Shareholders in 2017	Special	37.19%	06/09/2017	06/10/2017	http://www.cninfo.com.cn/finalpage/2017-06-10/1203606560.PDF
The Third Special Meeting of Shareholders in 2017	Special	40.37%	07/17/2017	07/18/2017	http://www.cninfo.com.cn/finalpage/2017-07-18/1203710285.PDF
The Fourth Special Meeting of Shareholders in 2017	Special	39.17%	09/11/2017	09/12/2017	http://www.cninfo.com.cn/finalpage/2017-09-12/1203964166.PDF

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

Applicable Not applicable

V Performance of Independent Directors in this Reporting Period

1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

Attendance of independent directors in board meetings and meetings of shareholders							
Independent director	Due presence in this Reporting Period for board meetings (times)	Presence on site for board meetings (times)	Presence by telecommunication for board meetings (times)	Presence through a proxy for board meetings (times)	Absence for board meetings (times)	Absent for two consecutive times for board meetings	Presence for meetings of shareholders (times)
Sun Shengdian	15	3	12	0	0	No	1
Xiao Zuhe	15	2	13	0	0	No	2
Zhang Shuhua	15	1	14	0	0	No	2

Explanation on failing to present in person for two consecutive sessions

N/A

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

Indicate by tick mark whether any independent directors raised any objections on issues of the Company.

Yes No

No such cases in this Reporting Period.

3. Other Details about the Performance of Duties 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 of the Financial Audit Committee under the Board. In Y2017, 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 2016, First Quarterly Report 2017, Semi-Annual Report 2017, and the Third Quarterly Report 2017, and had no objection to the aforesaid financial statements.
2. Submitted the Proposal on Hiring CPA in 2017 to the Board in which proposing to continue to hire Ruihua CPA as the audit institution of financial statements of the Company in 2017.
3. During the preparation of Annual Report 2017, 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 2017 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 2017 Annual Auditing by Ruihua Certified Public Accountants;

(6) Submitted the Resolution of the 2017 Annual Financial Statement of the Company to the Board;

(7) Submitted the Resolution of engagement of the CPAs in 2018 to the Board;

4. In 2017, 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 Y2017, based on the principle of faithfulness, the major execution situations of the Remuneration and Appraisal Committee under the Board were as follows:

1. On Mar. 27, 2017, the Remuneration and Appraisal Committee subject to the Board of Directors submitted the Audit Opinion on the Reward Planning for Senior Executives in 2017 to the Board.

2. On Jul. 28, 2017, 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 2016 to the Board.

3. During the preparation of Annual Report 2017, 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 2017 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 Y2017, based on the principle of faithfulness, the major execution situations of the Nominations Committee subject to the Board were as follows:

1. On Feb. 28, 2017, the Nominations Committee under the Board submitted the Proposal on Change of Senior Executives to the Board and nominated the candidates of new senior executives for discussion.

2. On Jun. 29, 2017, the Nominations Committee under the Board issued the Audit Opinion on Adding the Director of the 8th Board of Directors, in which Mr. Zhang Jing was agreed to be nominated as the candidate of non-independent director of the 8th Board of Directors and the proposal was agreed to be submitted to the Board for review.

(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. In Y2017, the Strategy Committee subject to the Board of Directors actively thought and planned the development strategy of Konka and discussed many times over the said strategy.

VII Performance of Duties by the Supervisory Board

During the Reporting Period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

√ Yes □ No

Meeting	Convened Date	Supervisors Present	Name of the Resolutions of the Meeting	Resolutions	Disclosure Index on the Specified Website for the Resolutions	Disclosure Date
The 13 th Meeting of the 8 th Supervisory Board	03/29/2017	Haogang (Li Jun and Wang Youlai entrusted Hao Gang with voting)	1.2016Annual Report 2. 2016 Work Report of the Supervisory Board 3. 2016 Assessment Report of Internal Control	Unanimously voted agreed by the participants	http://www.cninfo.com.cn/finalpage/2017-03-31/1202150026.PDF	03/31/2017
The 14 th Meeting of the 8 th Supervisory Board	04/27/2017	Hao Gang, Li Jun and Wang Youlai	The First Quarter Report in 2017	Unanimously voted agreed by the participants		
The 15 th Meeting of the 8 th Supervisory Board	08/23/2017	Hao Gang, Li Jun and Wang Youlai	2017 Semi-annual Report	Unanimously voted agreed by the participants		
The 16 th	10/26/2017	Hao Gang, Li	The Third Quarter	Unanimously		

Meeting of the 8 th Supervisory Board		Jun and Wang Youlai	Report in 2017	voted agreed by the participants		
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Brief comments on the relevant risks of the Company from the Board of Supervisors

Naught

VIII Appraisal and Incentive for Executive Officers

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. Serious Internal Control Defects Found in this Reporting Period

Yes No

2. Internal Control Self-evaluation Report

Disclosure date of the internal control self-evaluation report	03/31/2018	
Index to the disclosed internal control self-evaluation report	www.cninfo.com.cn	
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements	More than 90%	
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements	More than 90%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Qualitative criteria	1. 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	1. 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)

	<p>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. 2. 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 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.</p>	<p>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. 2. 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>
Quantitative criteria	Great defect: potential misstatement amount $\geq 1\%$ of the gross profit margin of the 2017 consolidated financial report of	Implement in accordance with the quantitative criteria of internal control defect evaluation in financial

	the Company; significant defect: 0.5% of the gross profit margin of the 2017 consolidated financial report of the Company ≤ potential misstatement amount < 1% of the gross profit margin of the 2017 consolidated financial report of the Company; general defect: potential misstatement amount < 0.5% of the gross profit margin of the 2017 consolidated financial report of the Company.	statements
Number of significant defects of financial report (Piece)		0
Number of significant defects of non-financial report (Piece)		0
Number of important defects of financial report (Piece)		0
Number of important defects of non-financial report (Piece)		0

X Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the 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 Dec. 2017	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	03/31/2018
Index to the disclosed auditor's report on internal control	www.cninfo.com.cn
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor's report on the Company's internal control.

Yes No

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

Yes No

Part X Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

Part XI Financial Statements

I Independent Auditor's Report

Type of independent auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	03/29/2018
Name of independent auditor	Ruihua Certified Public Accountants (LLP)
No. of the auditor's report	Ruihua Audit Report [2018] No. 44040006
Name of CPA	Liu Jianhua, Shen Lingzhi

Text of Independent Auditor's Report

Ruihua Audit Report [2018] No. 44040006

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 December 31, 2017, 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 Dec. 31, 2017 and the consolidated and parent business performance and cash flow of the Company for 2017.

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) Income Confirmation

1. Item Description

Please refer to Note 25 of Annotation IV Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 43 of Annotation VI Notes for Item of Consolidated Financial Statement for related information disclosed.

The operating revenue of Konka Group in 2017 was RMB31,227,763,249.71, including operating revenue of colored TV, black-and-white TV, phone business of RMB14,651,126,000 and trade operating revenue of RMB13.6525127 billion. Compared with the operating revenue of 2016, the operating revenue of 2017 increased by 53.84% which was mainly contributed by revenue of trade business. The specific time point of confirmation of revenue of the Company is: Commodities for the domestic market: revenue is confirmed when the commodities are delivered or the commodity right is transferred; Exported commodities: revenue is confirmed after the commodities are transferred to the shipper entrusted by the purchaser after finishing the customs declaration. Since operating revenue is one of the key performance indexes of Konka Group, inherent risk is high during the incorrect calculation period of the operating revenue or under control. Confirmation of operating revenue has significant influences on the financial statement. Thus, we specify the proper and significant misstatement of the revenue as the key audit items.

2. Countermeasures of Audit

- (1) We have understood, estimated and tested design and implementation of key internal control related to revenue circulation to confirm the effectiveness of internal control;
- (2) Based on interview of the management personnel, we have understood and estimated the revenue confirmation methods and time of Konka Group;

- (3) We analyze the income according to customers, products, and months, and compare them with those of the previous year; compare the income with the income of the same industry and check whether there is any obvious abnormality;
- (4) We have carried out spot check for the sales revenue, examined the related sales contracts, and all supporting documents and checked the conformity of the risk and remuneration term and the revenue confirmation principles in the sales contract;
- (5) We chose samples as per features and natures of clients to carry out the letter confirmation procedure to confirm the authenticity of receivables; We confirmed the sales amount for main clients of the colored TV business and trade business in the mode of letter confirmation;
- (6) We carried out spot check on the sales revenue confirmed before and after the asset liability table, including delivery receipts and the detailed accounts to check whether there were trans-period revenue confirmation situations.
- (7) We examine the Company's sales policies and contractual rebates for product sales discounts; review the calculation and withdrawal of discounts and accounting processing; check whether discounts are included in the correct accounting period;
- (8) In the end of the Current Period, we carried out supervision of inventory and expanded the scope of check of inventory. We carried out overall check on the finished products of the spot-check companies and the storage bases to check whether there was the situation that delivery bill has been issued and revenue has been confirmed but products were not delivered.
- (9) We checked the supply chain trade business to confirm whether clients and suppliers had relations. Check whether the income confirmation method is consistent with the contractual terms and trade background; We visited the clients and suppliers relating to a large trade amount to understand the background of trade and the basic situation of the counter party of the trade. Check whether there is reasonable commercial logic; Spot check the customer's sales documents, bank transfer vouchers, invoices, etc. sold to their counterparties.
- (10) For sales of commercial housing, check the completion acceptance documents of the house, whether the housing payment has been all collected, spot-check part of the sales contract, check the supporting evidence of the delivery of the property such as signing receipt of the delivery house, etc.

(II) Accounting of Inventory Depreciation Reserves

1. Item Description

Please refer to Note 11 of Annotation IV Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 9 of Annotation VI Notes for Item of Consolidated Financial Statement for related information disclosed.

On Dec. 31, 2017, the book value of inventory of the Company was RMB5,013,238,400 and the inventory depreciation reserve was RMB322,874,800. The balance of inventory book value is significant. Inventory pricing shall be carried out as per the lower of the cost and the net realizable value. The net realizable value is determined by the amount of estimated selling price of the product deducting the potential cost, estimated selling expense and relative taxes and dues during completion. The management level shall make significant judgement and assumption during the prediction, especially the estimated sales price, production cost, selling expense and related taxes and dues. Since the withdrawing inventory depreciation reserve makes significant influences on the financial statement, and inventory depreciation test relates to significant accounting estimation and judgement, we confirm the withdrawal of inventory depreciation reserves as the key audit item.

2. Countermeasures of Audit

- (1) We have understood, estimated and tested design and implementation of internal key control points of the management level related to the inventory depreciation reserves calculation and withdrawing to confirm the effectiveness of the internal control;
- (2) We analyze the inventory according to the category, age, marketability, and product quality characteristics; compare and analyze the situation of inventory depreciation reserves with that of the previous period and the same industry to identify inventory that may be impaired;
- (3) Integrated with the inventory supervision and check procedure, we Checked the quantity and conditions of inventory, mainly checked the long-term inventory and inventory of bad quality and carried out analysis on sufficiency of depreciation reserve calculation and withdrawing of inventory with a depreciation trend.
- (4) We have rechecked the detailed statements of inventory depreciation calculation and withdrawing of the audited unit, estimated related parameters used by the management level in inventory depreciation test, especially the estimated selling price, cost of further production, selling expenses

and related taxes and dues.

(5) We checked the sales situations after the balance sheet date to verify the reasonability of inventory depreciation calculation and withdrawing.

(III) Accounting 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 12 and Note 50 of Annotation VI Notes for Item of Consolidation Financial Statement for related information disclosed.

The investment income of the Company in 2017 was RMB6,587,848,400 mainly generated from the investment income arising from disposal of long-term equity investment, returns on purchase of financial products, and gains arising from remeasurement 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 2017 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, to 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.

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):

Beijing·China

CPA:

March 29, 2018

II Financial Statements

Currency unit for the statements in the notes to the financial statements: RMB

1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	3,212,044,851.08	2,617,606,256.42

Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	296,799.53	252,084,994.12
Derivative financial assets		
Notes receivable	5,178,668,988.23	2,871,633,498.82
Accounts receivable	3,443,095,947.26	2,307,965,548.49
Prepayments	467,123,091.74	274,810,658.72
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable	1,813,256.77	1,342,063.84
Dividends receivable		10,171,609.48
Other receivables	182,405,099.39	222,389,921.80
Financial assets purchased under resale agreements		
Inventories	4,690,363,565.53	4,287,413,944.35
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	1,715,326,868.81	562,204,116.20
Total current assets	18,891,138,468.34	13,407,622,612.24
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	712,170,399.09	314,967,639.36
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,319,987,343.74	309,648,120.37
Investment property	216,455,629.99	222,086,904.26
Property, plant and equipment	1,587,170,348.35	1,573,978,914.03
Construction in progress	135,863,821.01	315,536,437.05
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	205,057,773.69	302,045,627.44
R&D expense		

Goodwill	3,597,657.15	3,597,657.15
Long-term prepaid expense	150,060,937.30	91,901,533.39
Deferred income tax assets	307,942,263.12	701,734,152.68
Other non-current assets	29,290,828.00	
Total non-current assets	4,667,597,001.44	3,835,496,985.73
Total assets	23,558,735,469.78	17,243,119,597.97
Current liabilities:		
Short-term borrowings	6,927,472,037.35	6,562,834,226.51
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	47,482,470.50	337,263.13
Derivative financial liabilities		
Notes payable	541,175,312.09	863,709,138.39
Accounts payable	3,612,216,266.59	3,160,073,575.56
Advances from customers	640,510,784.17	1,201,426,223.70
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	291,370,297.67	273,059,516.65
Taxes payable	1,326,569,094.53	121,905,421.18
Interest payable	35,723,963.94	21,344,172.45
Dividends payable		
Other payables	1,608,359,305.87	1,444,349,986.74
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	374,358.99	41,025.60
Other current liabilities		
Total current liabilities	15,031,253,891.70	13,649,080,549.91
Non-current liabilities:		
Long-term borrowings	167,000,000.00	70,000,000.00
Bonds payable		

Including: Preferred shares		
Perpetual bonds		
Long-term payables	61,538.46	30,102,564.14
Long-term payroll payable	13,361,821.86	18,151,659.90
Specific payables		
Provisions	6,181,865.10	7,551,985.10
Deferred revenue	130,049,911.87	130,571,125.42
Deferred income tax liabilities	12,636,633.40	19,162,818.83
Other non-current liabilities		
Total non-current liabilities	329,291,770.69	275,540,153.39
Total liabilities	15,360,545,662.39	13,924,620,703.30
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	104,732,242.30	79,723,092.04
Less: Treasury shares		
Other comprehensive income	3,697,458.95	-6,932,104.65
Specific reserve		
Surplus reserves	1,217,644,874.79	847,908,466.28
General reserve		
Retained earnings	4,260,125,492.57	-427,163,254.63
Total equity attributable to owners of Parent Company	7,994,145,476.61	2,901,481,607.04
Non-controlling interests	204,044,330.78	417,017,287.63
Total owners' equity	8,198,189,807.39	3,318,498,894.67
Total liabilities and owners' equity	23,558,735,469.78	17,243,119,597.97

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

2. Parent Company Balance Sheet

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	1,760,838,390.83	982,562,273.45

Financial assets at fair value through profit or loss	296,799.53	39,894,844.12
Derivative financial assets		
Notes receivable	2,864,064,309.99	2,513,459,083.61
Accounts receivable	4,732,153,992.25	3,145,529,199.35
Prepayments	1,066,260,182.37	523,905,219.52
Interest receivable	23,894,771.88	4,502,350.43
Dividends receivable	2,690,276.72	
Other receivables	4,314,882,334.26	1,725,494,161.08
Inventories	2,090,697,937.23	1,926,824,243.11
Assets classified as held for sale		
Current portion of non-current assets	100,000,000.00	
Other current assets	1,547,454,872.74	505,418,961.79
Total current assets	18,503,233,867.80	11,367,590,336.46
Non-current assets:		
Available-for-sale financial assets	562,612,236.33	270,217,639.36
Held-to-maturity investments		170,000,000.00
Long-term receivables		
Long-term equity investments	2,649,074,424.45	2,383,970,009.87
Investment property	216,455,629.99	222,086,904.26
Property, plant and equipment	482,020,892.58	499,826,176.39
Construction in progress	79,927,345.88	11,754,885.34
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	91,718,400.70	90,880,022.23
R&D expense		
Goodwill		
Long-term prepaid expense	78,305,555.97	66,995,753.17
Deferred income tax assets	279,324,511.96	656,704,805.39
Other non-current assets	20,000,000.00	
Total non-current assets	4,459,438,997.86	4,372,436,196.01
Total assets	22,962,672,865.66	15,740,026,532.47
Current liabilities:		

Short-term borrowings	3,269,730,888.60	5,436,958,840.80
Financial liabilities at fair value through profit or loss	47,482,470.50	337,263.13
Derivative financial liabilities		
Notes payable	2,394,426,158.76	1,454,982,347.31
Accounts payable	6,167,204,323.22	3,710,175,718.31
Advances from customers	601,036,147.76	322,402,357.59
Payroll payable	163,066,135.71	131,415,800.19
Taxes payable	1,070,771,570.12	19,823,949.08
Interest payable	50,336,913.53	23,767,528.97
Dividends payable		
Other payables	1,868,073,013.59	1,760,751,455.81
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	15,632,127,621.79	12,860,615,261.19
Non-current liabilities:		
Long-term borrowings	167,000,000.00	40,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions	6,181,865.10	7,551,985.10
Deferred revenue	94,590,560.82	82,166,818.30
Deferred income tax liabilities		12,026,251.50
Other non-current liabilities		
Total non-current liabilities	267,772,425.92	141,745,054.90
Total liabilities	15,899,900,047.71	13,002,360,316.09
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		

Capital reserves	111,525,163.22	64,794,108.39
Less: Treasury shares		
Other comprehensive income	-1,970,304.62	6,714,437.62
Specific reserve		
Surplus reserves	1,217,644,874.79	847,908,466.28
Retained earnings	3,327,627,676.56	-589,696,203.91
Total owners' equity	7,062,772,817.95	2,737,666,216.38
Total liabilities and owners' equity	22,962,672,865.66	15,740,026,532.47

3. Consolidated Income Statement

Unit: RMB

Item	2017	2016
1. Revenue	31,227,763,249.71	20,299,348,136.21
Including: Operating revenue	31,227,763,249.71	20,299,348,136.21
Interest revenue		
Premium revenue		
Handling charge and commission revenue		
2. Cost of revenue	31,418,151,525.89	20,865,416,619.07
Including: Cost of operating revenue	27,788,985,279.80	17,518,330,342.99
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surtaxes	208,836,733.61	111,967,480.96
Selling expense	2,141,993,558.11	2,285,998,285.97
Administrative expense	777,713,680.46	607,579,115.65
Finance costs	340,918,550.61	154,764,546.12
Asset impairment losses	159,703,723.30	186,776,847.38
Add: Gains on changes in fair value ("-" for losses)	-66,221,451.96	-14,617,369.08
Investment income ("-" for loss)	6,587,848,357.88	348,445,927.65
Including: Share of profit or loss of joint ventures and associates	3,953,094.99	12,738,812.54
Foreign exchange gains ("-" for losses)		

Asset disposal income (“-” for loss)	55,945,401.39	
Other income	204,979,443.55	
3. Operating income (“-” for loss)	6,592,163,474.68	-232,239,924.29
Add: Non-operating income	82,832,663.76	270,828,423.34
Less: Non-operating expense	16,521,032.68	10,853,641.54
4. Pretax income (“-” for loss)	6,658,475,105.76	27,734,857.51
Less: Income tax expense	1,571,641,005.78	-64,440,500.57
5. Net income (“-” for net loss)	5,086,834,099.98	92,175,358.08
5.1 Net income from continuing operations (“-” for net loss)	5,086,834,099.98	92,175,358.08
5.2 Net income from discontinued operations (“-” for net loss)		
Attributable to owners of Parent Company	5,057,025,155.71	95,673,028.03
Attributable to non-controlling interests	29,808,944.27	-3,497,669.95
6. Other comprehensive income, net of tax	10,457,550.34	-10,293,358.91
Attributable to owners of Parent Company	10,629,563.60	-10,087,848.65
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	10,629,563.60	-10,087,848.65
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	-3,138,048.04	
6.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-6,379,226.68	4,965,780.75
6.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gains/losses on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	20,146,838.32	-15,053,629.40
6.2.6 Other		
Attributable to non-controlling interests	-172,013.26	-205,510.26
7. Total comprehensive income	5,097,291,650.32	81,881,999.17
Attributable to owners of Parent Company	5,067,654,719.31	85,585,179.38
Attributable to non-controlling interests	29,636,931.01	-3,703,180.21
8. Earnings per share		
8.1 Basic earnings per share	2.1001	0.0397
8.2 Diluted earnings per share	2.1001	0.0397

Where business mergers under the same control occurred in the current period, the net income achieved by the merged parties before the business mergers was RMB000, with the amount for last year being RMB000.

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

4. Parent Company Income Statement

Unit: RMB

Item	2017	2016
1. Operating revenue	12,102,478,051.51	13,972,090,704.33
Less: Cost of operating revenue	10,254,093,606.04	12,336,816,440.54
Taxes and surtaxes	32,773,051.99	37,856,483.10
Selling expense	1,539,608,039.02	1,655,163,345.34
Administrative expense	570,360,530.04	418,505,210.84
Finance costs	275,532,025.79	222,678,508.21
Asset impairment losses	133,044,172.18	134,659,777.14
Add: Gains on changes in fair value ("-" for losses)	-86,743,251.96	32,373,545.70
Investment income ("-" for loss)	6,419,712,482.20	146,984,583.30
Including: Share of profit or loss of joint ventures and associates	-2,867,529.72	29,506,367.44
Asset disposal income ("-" for loss)	74,187.45	
Other income	69,388,626.62	
2. Operating income ("-" for loss)	5,699,498,670.76	-654,230,931.84
Add: Non-operating income	38,052,635.22	136,056,632.09
Less: Non-operating expense	10,368,352.12	5,807,098.97
3. Pretax income ("-" for loss)	5,727,182,953.86	-523,981,398.72
Less: Income tax expense	1,414,775,357.96	-144,168,047.81
4. Net income ("-" for net loss)	4,312,407,595.90	-379,813,350.91
4.1 Net income from continuing operations ("-" for net loss)	4,312,407,595.90	-379,813,350.91
4.2 Net income from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	-8,684,742.24	4,911,184.85
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-8,684,742.24	4,911,184.85

5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method	-2,274,173.49	
5.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-6,410,568.75	4,965,780.75
5.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gains/losses on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		-54,595.90
5.2.6 Other		
6. Total comprehensive income	4,303,722,853.66	-374,902,166.06
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	31,446,609,731.30	18,283,429,567.66
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates received	306,536,483.85	358,031,487.94
Cash generated by other operating activities	9,189,740,317.98	436,160,333.16
Subtotal of cash generated by operating activities	40,942,886,533.13	19,077,621,388.76
Payments for goods and services	32,945,586,384.73	16,509,132,778.70
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	1,521,219,551.03	1,649,736,066.93
Taxes paid	538,733,487.55	656,221,900.55
Cash used in other operating activities	10,251,604,732.29	1,234,666,430.01
Subtotal of cash used in operating activities	45,257,144,155.60	20,049,757,176.19
Net cash flows from operating activities	-4,314,257,622.47	-972,135,787.43
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	72,257,309.01	59,560,892.50
Investment income received	126,829,624.00	26,329,139.46
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	101,598,096.61	4,491,419.45
Net proceeds from disposal of subsidiaries or other business units	6,904,949,434.52	
Cash generated by other investing activities	1,847,480,775.61	9,883,683,340.31
Subtotal of cash generated by investing activities	9,053,115,239.75	9,974,064,791.72
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	252,512,252.89	172,054,580.04
Payments for investments	1,185,098,584.39	30,700,000.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	2,885,988,913.10	9,680,013,361.99
Subtotal of cash used in investing activities	4,323,599,750.38	9,882,767,942.03
Net cash flows from investing activities	4,729,515,489.37	91,296,849.69
3. Cash generated by or used in financing activities:		
Capital contributions received	50,430,511.80	262,112,331.23
Including: Capital contributions by non-controlling interests to subsidiaries	50,430,511.80	262,112,331.23
Increase in borrowings	9,997,566,758.22	6,897,808,624.31
Net proceeds from issuance of bonds		
Cash generated by other financing activities	478,604,496.40	12,808,000.00
Subtotal of cash generated by financing activities	10,526,601,766.42	7,172,728,955.54
Repayment of borrowings	9,541,243,861.75	5,256,766,118.99
Payments for interest and dividends	215,250,211.08	139,915,601.19

Including: Dividends paid by subsidiaries to non-controlling interests	746,714.88	461,972.51
Cash used in other financing activities	23,263,067.97	443,297,884.17
Subtotal of cash used in financing activities	9,779,757,140.80	5,839,979,604.35
Net cash flows from financing activities	746,844,625.62	1,332,749,351.19
4. Effect of foreign exchange rate changes on cash and cash equivalents	-85,105,733.90	80,837,680.34
5. Net increase in cash and cash equivalents	1,076,996,758.62	532,748,093.79
Add: Cash and cash equivalents, beginning of the period	2,020,902,945.14	1,488,154,851.35
6. Cash and cash equivalents, end of the period	3,097,899,703.76	2,020,902,945.14

6. Parent Company Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	12,663,519,862.71	11,834,479,194.94
Tax rebates received	101,117,712.70	160,071,895.68
Cash generated by other operating activities	11,750,343,362.91	2,128,714,960.22
Subtotal of cash generated by operating activities	24,514,980,938.32	14,123,266,050.84
Payments for goods and services	11,671,178,195.40	12,638,560,047.48
Cash paid to and for employees	913,094,001.19	915,901,145.04
Taxes paid	153,133,718.08	281,931,582.32
Cash used in other operating activities	13,492,237,043.23	3,263,567,880.24
Subtotal of cash used in operating activities	26,229,642,957.90	17,099,960,655.08
Net cash flows from operating activities	-1,714,662,019.58	-2,976,694,604.24
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	7,213,519,480.00	18,331,433.07
Investment income received	157,605,497.94	45,833,043.81
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	202,036.88	1,280,614.55
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities	1,771,357,091.35	10,006,846,873.48
Subtotal of cash generated by investing activities	9,142,684,106.17	10,072,291,964.91
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	69,689,987.87	41,220,039.50
Payments for investments	1,434,196,953.00	642,016,000.00
Net payments for acquisition of subsidiaries and other business		

units		
Cash used in other investing activities	2,997,732,417.74	10,501,287,664.77
Subtotal of cash used in investing activities	4,501,619,358.61	11,184,523,704.27
Net cash flows from investing activities	4,641,064,747.56	-1,112,231,739.36
3. Cash generated by or used in financing activities:		
Capital contributions received		
Increase in borrowings	6,424,596,805.22	5,251,690,361.51
Net proceeds from issuance of bonds		
Cash generated by other financing activities	165,396,024.39	369,933,493.64
Subtotal of cash generated by financing activities	6,589,992,829.61	5,621,623,855.15
Repayment of borrowings	8,507,218,581.45	626,502,931.51
Payments for interest and dividends	199,017,294.57	93,670,105.28
Cash used in other financing activities	598,314.20	352,371,563.61
Sub-total of cash used in financing activities	8,706,834,190.22	1,072,544,600.40
Net cash flows from financing activities	-2,116,841,360.61	4,549,079,254.75
4. Effect of foreign exchange rate changes on cash and cash equivalents	-39,905,176.10	35,193,217.72
5. Net increase in cash and cash equivalents	769,656,191.27	495,346,128.87
Add: Cash and cash equivalents, beginning of the period	973,613,753.40	478,267,624.53
6. Cash and cash equivalents, end of the period	1,743,269,944.67	973,613,753.40

7. Consolidated Statements of Changes in Owners' Equity

2017

Unit: RMB

Item	2017												Non-controlling interests	Total owners' equity
	Equity attributable to owners of Parent Company													
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings			
Preferrred shares		Perpetual bonds	Other											
1. Balances as of end of 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 mergers under same control														
Other adjustments														
2. Balances as of 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 Common shares increased by shareholders													-235,037,235.08	-235,037,235.08
3.2.2 Capital increased by holders of other equity instruments														
3.2.3 Share-based payments included in owners' equity														
3.2.4 Other													-6,153,368.72	-6,153,368.72
3.3 Profit distribution									369,736,408.51		-369,736,408.51	-1,419,284.06	-1,419,284.06	
3.3.1 Appropriation to surplus reserves								369,736,408.51		-369,736,408.51				
3.3.2 Appropriation to general reserve														
3.3.3 Appropriation to owners (or shareholders)												-1,419,284.06	-1,419,284.06	
3.3.4 Other														
3.4 Carryforwards within owners' equity														
3.4.1 Increase in capital (or share capital) from capital reserves														
3.4.2 Increase in capital (or share capital) from surplus reserves														

3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other					25,009,150.26								25,009,150.26
4. Balances as of end of the period	2,407,945,408.00				104,732,242.30		3,697,458.95		1,217,644,874.79		4,260,125,492.57	204,044,330.78	8,198,189,807.39

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of Parent Company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
	Pref erred shares	Perpetual bonds	Other										
1. Balances as of end of prior year	2,407,945,408.00				78,209,535.19		3,155,744.00		847,908,466.28		-522,836,282.66	261,067,546.32	3,075,450,417.13
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous													

errors													
Adjustments for business mergers under same control													
Other adjustments													
2. Balances as of beginning of the year	2,407,945,408.00			78,209,535.19		3,155,744.00		847,908,466.28		-522,836,282.66	261,067,546.32	3,075,450,417.13	
3. Increase/ decrease in the period (“-” for decrease)				1,513,556.85		-10,087,848.65				95,673,028.03	155,949,741.31	243,048,477.54	
3.1 Total comprehensive income						-10,087,848.65				95,673,028.03	-3,703,180.21	81,881,999.17	
3.2 Capital increased and reduced by owners											159,564,888.59	159,564,888.59	
3.2.1 Common shares increased by shareholders											261,842,331.23	261,842,331.23	
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											-102,277,442.64	-102,277,442.64	
3.3 Profit distribution													
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													

3.3.3 Appropriation to owners (or shareholders)													
3.3.4 Other													
3.4 Carryforwards within owners' equity					-35,543,805.21								-35,543,805.21
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other					-35,543,805.21								-35,543,805.21
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other					37,057,362.06							88,032.93	37,145,394.99
4. Balances as of end of the period	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

8. Parent Company Statements of Changes in Owners' Equity

2017

Unit: RMB

Item	2017									
	Share capital	Other equity instruments	Capital reserves	Less:	Other	Specific	Surplus reserves	Retained earnings	Total owners' equity	

		Preferr ed shares	Perpet ual bonds	Othe r		Treasury shares	comprehensive income	reserve			
1. Balances as of end of prior year	2, 407, 945, 408. 00				64, 794, 108. 39		6, 714, 437. 6 2		847, 908, 466. 28	-589, 696, 203. 91	2, 737, 666, 216. 38
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments					7, 350, 000. 00					-25, 347, 306. 92	-17, 997, 306. 92
2. Balances as of beginning of the year	2, 407, 945, 408. 00				72, 144, 108. 39		6, 714, 437. 6 2		847, 908, 466. 28	-615, 043, 510. 83	2, 719, 668, 909. 46
3. Increase/ decrease in the period (“-” for decrease)					39, 381, 054. 83		-8, 684, 742. 24		369, 736, 408. 51	3, 942, 671, 187. 3 9	4, 343, 103, 908. 49
3.1 Total comprehensive income							-8, 684, 742. 24			4, 312, 407, 595. 9 0	4, 303, 722, 853. 66
3.2 Capital increased and reduced by owners											
3.2.1 Common shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution									369, 736, 408. 51	-369, 736, 408. 51	
3.3.1 Appropriation to surplus reserves									369, 736, 408. 51	-369, 736, 408. 51	
3.3.2 Appropriation to owners (or shareholders)											

3.3.3 Other											
3.4 Carry-forwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other					39,381,054.83						39,381,054.83
4. Balances as of end of the period	2,407,945,408.00				111,525,163.22		-1,970,304.62		1,217,644,874.79	3,327,627,676.56	7,062,772,817.95

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferr ed shares	Perpet ual bonds	Othe r							
1. Balances as of end of prior year	2,407,945,408.00				46,505,607.34		1,803,252.77		847,908,466.28	-209,882,853.00	3,094,279,881.39
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											

Other adjustments											
2. Balances as of beginning of the year	2,407,945,408.00				46,505,607.34		1,803,252.77		847,908,466.28	-209,882,853.00	3,094,279,881.39
3. Increase/ decrease in the period (“-” for decrease)					18,288,501.05		4,911,184.85			-379,813,350.91	-356,613,665.01
3.1 Total comprehensive income							4,911,184.85			-379,813,350.91	-374,902,166.06
3.2 Capital increased and reduced by owners											
3.2.1 Common 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											
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)											
3.3.3 Other											
3.4 Carry-forwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											

3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other					18,288,501.05						18,288,501.05
4. Balances as of end of the period	2,407,945,408.00				64,794,108.39		6,714,437.6 2		847,908,466.28	-589,696,203.9 1	2,737,666,216.38

Konka Group Co., Ltd.

Notes to Financial Statements 2017

(Monetary unit is RMB unless otherwise stated)

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 August 29, 1995, the Company was renamed to “Konka Group Co., Ltd.” (Credibility code: 914403006188155783) with its main business falling into electronic industry. And now the headquarters locates in No. 28 of No. 12 of Keji South Rd., Science & Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province.

2. Share Capital Changes upon Establishment

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

On October 8, 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 October 26, 1994.

On February 6, 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 reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB 6.28/A-share and HKD 5.85/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 January 25, 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 July 15, 1998, negotiable A-shares were allotted in proportion of 3:10 at RMB 10.50/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 canceled, and the corporate shareholders of the Company waived the preemptive right. The total capital stock reached 389,383,603 shares after this allotment.

On June 30, 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 August 20, 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 June 30, 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 November 1, 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 May 30, 2000, the Plan on Profit Distribution and Dividend Payout 1999 was adopted at the ninth general meeting of shareholders of the Company. On July 25, 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 May 26, 2008, the 2017 general meeting of shareholders 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 December 31, 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 December 16, 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 April 10, 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 January 28, 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 center, and data processing. Import & export business: domestic trade; international trade (excluding monopoly, exclusive control, and monopolized commodities); selling security products, intelligent household products, door lock, and hardware; doing various business entrusted by (Mobile, Unicom, Telecom, and BC&TV)

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

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

6. There were 45 subsidiaries included in the consolidation scope of 2017 of the Company, and please refer to the Notes VIII. “Equities among other entities” for details. There were 10 subsidiaries increased and 4 decreased in the consolidation scope of the Reporting Period over the last period of the Company, for details, see the Notes VII. “Changes of the consolidation scope”.

7. A check list of corporate names and their abbreviations mentioned in this Report

Corporate name	Abbreviation
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Household Appliances Co., Ltd.	Konka Household Appliances
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Electrical Appliances Co., Ltd.	Electrical Appliances
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Konka Household Appliances Co., Ltd.	Anhui Household Appliances
Kunshan Konka Electronic Co., Ltd.	Kunshan Konka
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing

Corporate name	Abbreviation
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Konka Precision
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
Konka (Europe) Co., Ltd.	Konka Europe
Konka Factoring (Shenzhen) Co., Ltd.	Konka Factoring
Shenzhen Wankaida Science and Technology Co., Ltd.	Wankaida
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan Kangsheng
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Anhui Tongchuang
Indonesia Konka Electronics Co., Ltd.	Indonesia Konka
Shenzhen Shushida Logistics Service Co., Ltd.	Shushida Logistics
Beijing Konka Electronic Co., Ltd.	Beijing Konka Electronic
Shenzhen Konka E-display Co., Ltd.	Konka E-display
Shenzhen E-display Service Co., Ltd.	E-display Service
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Youshi Kangrong Culture Communication Co., Ltd.	Youshi Kangrong
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	Kangqiao Jiacheng
Konka SmartTech Limited	Konka SmartTech
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen E2info Network Technology Co., Ltd.	E2info
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Shenzhen Konka Commercial System Technology Co., Ltd.	Commercial System Technology

Corporate name	Abbreviation
Chain Kingdom Co., Limited	Chain Kingdom
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Kangqiao Easy Chain
E3info (Hainan) Technology Co., Ltd.	E3info
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou Konka TID
Konka Ventures Development (Shenzhen) Co., Ltd.	Konka Ventures
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Konka Pengrun
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Konka Unifortune
Shenzhen Konka Investment Holding Co., Ltd.	Konka Investment
Anhui Kangzhi Trade Co., Ltd.	Kangzhi Trade
Hainan Konka Material Technology Co., Ltd.	Konka Material
Tianjin Konka Leasing Co., Ltd.	Konka Leasing
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Yantai Konka
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Konka Capital
Chain Kingdom (Shenzhen) Co., Ltd.	Chain Kingdom Shenzhen

II. Basis for the Preparation of Financial Statements

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 42 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from February 15, 2006 onwards (hereinafter jointly referred to as the Accounting Standards for Business Enterprises, China Accounting Standards or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Group adopted the accrual basis in accounting. Except for some financial instruments and investment properties, the financial statements are based on historic costs to measure. Non-current assets held for sale is priced by the lower amount between the amounts that fair value minus estimated amount and the original book value that meets the held for sale

requirement. Where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

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

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's financial positions as at December 31, 2017, business results and cash flows for the first half year of 2017, and other relevant information. In addition, the Company's and the Group's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

IV. Important Accounting Policies and Estimations

The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates according to the actual production and operation characteristics and the regulations of the relevant ASBE on the transactions and events of the revenues recognition. For the details, please refer to each description of Notes IV. 25 “Revenues”. For the notes of the significant accounting judgment and estimations made by the management layer, please refer to Notes IV. 31 “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. As for the overseas subsidiaries of the Company-European Konka and Indonesia Konka, should be respectively confirmed the Euro and Indonesia Rupiah as their recording currency according its major economic environment of their operating address; subsidiaries such as Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng and Chain Kingdom use HK Dollar as their recording currency. And the Group adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the Reporting Year.

4. Accounting Treatment Methods for Business Combinations under the Same Control or not under the Same Control

Business combinations, it is refer to two or more separate enterprises merge to form a reporting entity transactions or events. Business combination is divided into under the same control and those non under the same control.

(1) Business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital (share premium) shall be adjusted. If the additional paid-in capital (share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree.

For a business combination not under the same control, the combination costs shall include the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The involved contingent consideration shall be recorded into the combination costs at its fair value on the acquiring date. Where new or further evidences emerge, within 12 months since the acquiring date, against the existing circumstances on the acquiring date and the contingent consideration thus needs to be adjusted, the combined goodwill shall be adjusted accordingly. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Where the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, 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 Criterion about the “package deal” (see Note IV, 5 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and Note IV, 13 “long term equity investment” and conduct accounting treatment, those not belong to the “package deal” distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

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

In the Group’s consolidated financial statements, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Group holds in the acquiree before the acquiring date shall be treated on the same basis as the

acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree 's re-measurement, the others shall be transferred into current investment gains on the acquiring date).

5. Methods for Preparing Consolidated Financial Statements

(1) Principle for determining the consolidation scope

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

Once any changes in the relevant facts or situations resulted in any changes in the elements involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(2) Methods for preparing the consolidated financial statements

Subsidiaries are fully consolidated from the date on which the Group obtains control on their net assets and operation decision-making and are de-consolidated from the date when such control ceases. As for a disposed subsidiary, its operating results and cash flows before the disposal date has been appropriately included in the consolidated income statement and cash flow statement; and as for subsidiaries disposed in the current period, the opening items in the consolidated balance sheet are not adjusted. For a subsidiary acquired in a business combination not under the same control, its operating results and cash flows after the acquiring date have been appropriately included in the consolidated income statement and cash flow statement, and the opening items and comparative items in the consolidated financial statements are not adjusted. For a subsidiary acquired in a business combination under the same control or a combined party obtained in a takeover, its operating results and cash flows from the beginning of the Reporting Period of the combination to the combination date have been appropriately included in the consolidated income statement and cash flow

statement, and the comparative items in the consolidated financial statements are adjusted at the same time.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries. For a subsidiary acquired from a business combination not under the same control, the individual financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are offset in the consolidated financial statements.

The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

Where the Group loses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original

subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see Note IV. 13 “long term equity investment” or Note IV. 9 “financial instruments”.

Where the Group loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group loses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions ; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see Note IV. 13. (2) ④) and “Where the Group loses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Group loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control , when the Group losing control on its subsidiary.

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

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement

where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

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

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

When the Group, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in The Accounting Standard No. 8 for Business Enterprises — Asset Impairment, the Group shall fully recognize the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

7. Recognition Standard for Cash and Cash Equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

8. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Accounting treatments for translation of foreign currency transactions

As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base at the spot exchange rate (usually referring to the central parity rate that day announced by the People's Bank of China, the same below) of the transaction date, while as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the bookkeeping base currency at actual exchange rate the transaction is occurred.

(2) Accounting treatments for translation of foreign currency monetary items and non-monetary items

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the exchange difference arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs; ② the exchange difference arising from the hedging instruments used for effective hedging of net overseas operation investments shall be recorded into other comprehensive incomes, and shall be recognized into current gains and losses when the net investments are disposed; and ③ the exchange difference arising from change in the book balance of foreign currency monetary items available for sale except the amortized costs shall be recorded into other comprehensive gains and losses.

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the other comprehensive income; and be recorded into disposal gains and losses at current period when disposing overseas business.

A foreign currency non-monetary item measured at the historical costs shall still be translated

at the spot exchange rate on the transaction date. Where the foreign non-monetary items measured at the fair value shall be converted into amount in its bookkeeping base currency at spot exchange rate, the exchange gains and losses arising thereof shall be treated as change in fair value, and recorded into the current period gains and losses or as other comprehensive incomes.

(3) Translation of foreign currency financial statements

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the item of “difference of foreign currency financial statement translation” under the owners’ equity; and be recorded into disposal gains and losses at current period when disposing overseas business.

The foreign currency financial statement of overseas business should be translated in to RMB financial statement by the following methods: The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner’s equity items, except for the items as “undistributed profits”, other items shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The undistributed profits at year-begin is the undistributed profits at the end of last year after the translation; undistributed profits at year-end shall be listed as various distribution items after the translation; after the translation, the balance between assets and the sum of liabilities and owners’ equities shall be recorded into other comprehensive gains and losses as difference of foreign currency translation. Where an enterprise disposes of an overseas business without the control right, it shall shift the differences, which is presented under the items of the owner’s equities in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the disposal profits and losses of the current period by all or proportion of the disposed overseas business.

Foreign cash flow shall be translated at the spot exchange rate of the current period of the date of cash flow incurred. The influence of exchange rate on the cash flow shall be adjustment item and individually listed in the cash flow statement.

And the opening balance and the actual balance of last year shall be listed at the amounts after translation of foreign currency financial statement in last year.

Where the control of the Group over an overseas operation ceases due to disposal of all or some of the Group's owner's equity in the overseas operation or other reasons, the foreign-currency statement translation difference belonging to the parent company's owner's equity in relation to the overseas operation which is stated under the owner's equity in the balance sheet shall be all restated as gains and losses of the disposal period.

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

9. Financial Instruments

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

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

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

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

(2) Classification, recognition and measurement of financial assets

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

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

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

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

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

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

② Held-to-maturity investment

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

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

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Group including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after

impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Group has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Group neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Group needs to determine whether almost all of the risks and rewards of the financial asset

ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

③ Financial guarantee contract and loan commitment

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, or the loan commitment which is not designated as a financial liability measured at its fair value and the variation thereof is recorded into the gains and losses that will be loaned lower than the market interest rate, which shall be initially recognized by fair value, and the subsequent measurement shall be made after they are initially recognized according to the higher one of the following: a. the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies; b. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

(6) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid

(including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Group issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Group not recognized the changes of the fair value of the equity instrument. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Group to holders of equity

instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

10. Receivables

Receivables include account receivables and other accounts receivables.

(1) Recognition of provision for bad debts:

The Group shall test the carrying amount of receivables on the balance sheet date. Where there is any objective evidence proving that such receivables have been impaired, an impairment provision shall be made.

- ① Debtor has serious financial difficult;
- ② Debtor goes against the contract clause (for instance, breach of faith or overdue paying interests or principal);
- ③ Debtors have a great probability of bankruptcy or other financial reorganization;
- ④ Other objective evidence proving such accounts receivable has been impaired;

(2) Withdraw method of provision for bad debts

- ① The recognition criteria and method of individual provision for bad debts of receivables that are individually significant

The Group recognized the receivables with amount above RMB20 million and other receivables above RMB10 million as receivables with significant single amounts and withdrawn the provision for bad debts.

The Group made an independent impairment test on receivables with significant single amounts; the financial assets without impairment by independent impairment test should be included in financial assets portfolio with similar credit risk to take the impairment test. Receivables was recognized with impairment should no longer be included in receivables portfolio with similar credit risk to take the impairment test.

② The recognition and method of provision for bad debts of receivables by credit risk portfolio

A. Recognition of credit risk group

Receivables that not individually significant and individually significant but without impairment by independent impairment test, are grouped on the basis of similarity and relevance of credit risk. This credit risk usually reflects the debtor's ability to repay all the due accounts in accordance with contract for such assets, which also are related with the measurement on future cash flow of the examined assets.

Recognition basic of different groups:

Item	Basic
Group 1: Aging group	Divide the groups according to the credit risks characteristics of the accounts receivable
Group 2: Internal related party groups in the scope of consolidation of the Company	Divide the groups according to the credit risks characteristics of whether the creditor is the internal related party in the scope of consolidation of the Company

B. Withdrawal method of provision for bad debts recognized by credit risk group

For the impairment test implemented by groups, the amount of provision for bad debts was appraised and recognized in accordance with the structure of accounts receivable group and similar characteristics of credit risk (the debtor's ability to pay off the loans in accordance with the provisions of contract), experience of losses, current economic status and the predicted losses in the accounts receivable group.

Methods of making provisions for bad debt in different groups:

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

In the group 1, adopting aging analysis method to withdraw bad debt provision:

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)

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

③ Receivables with insignificant amount but being individually withdrawn the provision for bad debts

The Group made independent impairment test on receivables with insignificant amount but with the following characteristics, if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts:

- A. Receivables have dispute with the other parties or involving lawsuit and arbitration;
- B. Receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.
- C. There is other evidence of impairment and the impairment amount can estimated reliably.

(3) Reversal of provision for bad debts

If there is any objective evidence proving that the value of the said receivables has been restored, and it is objectively related to the events occurred after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said accounts receivable on the day of reverse under the assumption that no provision is made for the impairment.

11. Inventory

(1) Classification

The Group's inventories are classified as non-property inventories and property inventories. And the non-property inventories include raw materials, goods in process; merchandise on hand, goods delivered and circulating materials, etc; while the property inventories include property in process and finished property, etc.

- ① The finished property refers to the finished and held-for-sale property.
- ② The property in process (development costs) refers to the unfinished property with the development purpose for sale.

(2) Pricing method for outgoing inventories

The inventories shall be measured in light of their cost when obtained. The cost of inventory consists of purchase costs, processing costs and other costs. Inventory is accounted by weight average method upon receiving and giving. For merchandise on hand shall be accounted by planned cost, if the difference between planned cost of and actual cost of raw materials is accounted through the cost variance item, and the planned cost is adjusted to the actual cost according to the cost difference which the carryover and given-out inventory should shoulder in the period.

The property inventories are initially measured at the costs, and the costs of the developed property include the land premium, expenditures for supporting infrastructures, expenditures for construction and installation projects, the borrowing costs before the completion of the developed project and other expenses occurred during the development process.

- ① The public supporting facilities recorded the development costs at the actual costs, the amortization upon completion was transferred to the costs of houses and other available-for-sale property, while as for the supporting facilities with operating value and beneficiary rights owned by the Group as well as available for individual sale and measurement, which shall be recorded into the "investment property"
- ② For the accounting policies on borrowing costs occurred for developing property, please

refer to Note IV. 17 Pricing of “Borrowing Costs”.

(3) Recognition basis of net realizable value and withdrawal method of depreciation reserves for inventories

The net realizable value refers, in the ordinary course of business, to the account after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The net realizable value of inventories shall be fixed on the basis of valid evidence as well as under consideration of purpose of inventories and the effect of events after balance-sheet-date.

On the balance sheet date, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. If the net realizable value is lower than the cost, it shall withdraw the depreciation reserves for inventories, which was withdrawn in accordance with the balance that the cost of individual inventory item exceeding the net realizable value. The inventories with various numbers and low unit price shall be made provisions for depreciation reserves of inventories according to the category of inventories.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, causing the net realizable value of inventories is higher than its carrying amount; the amount of write-down shall be reversed from the original amount of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) The perpetual inventory system is maintained for stock system.

(5) Amortization method of the low-value consumption goods and packing articles

The low-value consumption goods should be amortized by one time amortization when acquiring and the packing articles are amortized by one time amortization when acquiring.

12. Assets Held for Sale and Disposal Group

When a company relies mainly on selling (including the exchanges of non-monetary assets with commercial substance, similarly hereinafter) instead of continuing to use a non-current asset or disposal group to recover its book value, then the non-current asset or disposal group is classified as assets held for sale. The specific standards are simultaneously meeting the following conditions: assets or disposal groups can be sold immediately under current conditions based on the practice of selling such assets or disposal groups in similar

transactions; the Company has already made a resolution on the sale plan and obtained a certain purchase commitment, and the sale is expected to be completed within one year. A disposal group refers to a group of assets that are disposed of together as a whole by sale or other means in a transaction and the liabilities directly related to these assets transferred in the transaction. Where the asset group or combination of asset groups to which a disposal group belongs apportions the goodwill acquired in the business combination in accordance with the Accounting Standards for Enterprises No. 8 - Asset Impairment, the disposal group shall include the goodwill allocated to it.

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

into the category purchased and under agreements to resell shall not be reversed.

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

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

13. Long-term Equity Investments

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

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

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner’s equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in

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

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to

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

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

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

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for

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

① Long-term equity investment measured by adopting cost method

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

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees are not accord with that of the Group, should be adjusted according to the accounting policies of the Group and the financial

statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Group and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Group and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. If the assets launched by this Company to the associated enterprise or joint ventures constitute the business, and the investor obtains the long-term equity investment but fails to obtain the control right, the fair value of business launched is taken as the initial investment cost of newly-increased long-term equity investment, and the difference between initial investment cost and book value of business launched will be included in current profit and loss. If the assets sold by this Company to the associated enterprises or joint ventures constitute the business, the difference between consideration and book value of business will be included in current profit and loss. If this Company's assets purchased from the associated enterprises or joint ventures constitute business, accounting treatment shall be conducted in accordance with the provisions of the Accounting Standards for Business Enterprises No. 20 -- Business Combination, fully recognize the gains or losses related to the transaction.

The Group shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Group has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Group before the first execution of the new accounting criterion of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company loses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall be treated in accordance with the relevant accounting policies in Note IV. 5 (2) "Method on preparation of combined financial statements".

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopts the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses,

other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Group lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Group lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by

adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Group respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

14. Investment Real Estates

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation. Investment real estates of the Group include the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented.

The initial measurement of the investment real estate shall be made at its cost. Subsequent expenditures incurred for an investment real estate is included in the cost of the investment real estate when it is probable that economic benefits associated with the investment real estate will flow to the Group and the cost can be reliably measured, otherwise the expenditure is recognized in profit or loss in the period in which they are incurred.

The Group shall make a follow-up measurement to the investment real estate by employing the cost pattern on the date of the balance sheet. An accrual depreciation or amortization shall be made for the investment real estates in the light of the accounting policies of the use right of buildings or lands.

For details of impairment test method and withdrawal method of impairment provision of investment real estates, please refer to Note IV. 20. "Long-term assets impairment".

When owner-occupied real estate or inventories are changed into investment real estate or investment real estate is changed into owner-occupied real estate, of which book value prior

to the change shall be the entry value after the change.

When an investment real estate is changed to an owner-occupied real estate, it would be transferred to fixed assets or intangible assets at the date of such change. When an owner-occupied real estate is changed to be held to earn rental or for capital appreciation, the fixed asset or intangible asset is transferred to investment real estate at the date of such change. If the fixed asset or intangible asset is changed into investment real estate measured by adopting the cost pattern, whose book value prior to the change shall be the entry value after the change; if the fixed asset or intangible asset is changed into investment real estate measured by adopting the fair value pattern, whose fair value on the date of such change shall be the entry value after the change

An investment real estate is derecognized on disposal or when the investment real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment real estate less its carrying amount and related taxes and expenses is recognized in profit or loss in the period in which it is incurred.

15. Fixed Assets

(1) Conditions for recognition of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor 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	10.00	2.25-4.50
Machinery equipment	Straight-line depreciation	10	10.00	9.00
Electronic equipment	Straight-line depreciation	5	10.00	18.00
Transportation vehicle	Straight-line depreciation	5	10.00	18.00
Other equipment	Straight-line depreciation	5	10.00	18.00

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, labor 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 labor relations before expiration of contract, or layoffs with compensations, and the Company cannot terminate the labor 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.

(2) Providing labor services

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

The outcome of a transaction concerning the providing of labor 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 labor services cannot be measured in a reliable way, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated, and make the cost of labor services incurred as the current expenses. If it

is predicted that the cost of labor 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 labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services cannot be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but cannot be measured respectively, both parts shall be conducted as selling goods.

(3) Recognition method of the sales revenues of real estate

The Group had signed the sales contract with the real estate had completed and be examined qualified, and reached the referable using conditions agreed by the sales contract as well as at the same time the housing accounts had been recognized the realize of the sales revenues when received with full amount according to the sales contract.

(4) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis.

(5) Interest revenue

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Group's monetary fund is used by others and the agreed interest rate.

(6) Property leasing revenue

For the recognition method of the property leasing revenue, please refer to Notes IV. 28.

(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.

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. But when there are certain evidence indicate that enable to receive the financial support fund which conforms with the relevant conditions of financial support policy in the end of term, then measure as the receivable amount. The government subsidies measured as the receivable amount shall comply with the following conditions: (1) The amount of the receivable subsidy has been recognized by the competent government department, or may be reasonably calculated according to the relevant provisions of the formally published financial fund management method, and the estimated amount is free of significant uncertainty; (2) The bases are the initiatively published financial support project and its financial fund management method in accordance with the regulations of Regulations

on Open Government Information, and this management method shall be favorable to the public (any enterprise qualified can apply), not just to the specified companies. (3) The relevant subsidy official documents have definite undertaking of the appropriate period, and the appropriate of this fund shall be safeguarded of the relevant financial budget, therefore the receiving of the fund in the specified period can be ensured;

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

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

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

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

25. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Income tax of the current period

On the balance sheet date, for the current income tax liabilities (or assets) of the current period as well as the part formed during the previous period, should be measured by the income tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the

corresponding adjustment of the pre-tax accounting profit of 2014 which in accord to the relevant regulations of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities and their tax assessment basis, as well as the temporary difference occurs from the difference between the book value of the items which not be recognized as assets and liabilities but could confirm their tax assessment basis according to the regulations of the tax law, the deferred income tax assets and the deferred income tax liabilities should be recognized by adopting liabilities law of the balance sheet.

No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets is recognized for the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises, and the investing enterprise can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the excepted future. Otherwise, the Group should recognize the deferred income tax liabilities arising from other taxable temporary difference.

No deferred taxable assets should be recognized for the deductible temporary difference of initial recognition of assets and liabilities arising from the transaction which is not business combination, the accounting profits will not be affected, nor will the taxable amount or deductible loss be affected at the time of transaction. Besides, no deferred taxable assets should be recognized for the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises, which are not likely to be reversed in the expected future or is not likely to acquire any amount of taxable income tax that may be used for making up such deductible temporary differences. Otherwise, the Company shall recognize the deferred income tax assets arising from a deductible temporary difference basing on the extent of the amount of the taxable income that is likely to be acquired to make up such deductible temporary differences

For any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax asset shall be determined to the extent that the amount of

future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred income tax assets shall be reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the book value of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The rest current income tax and the deferred income tax expenses or revenue should be included into current gains and losses except for the current income tax and the deferred income tax related to the transaction and events that be confirmed as other comprehensive income or be directly included in the shareholders' equity which should be included in other comprehensive income or shareholders' equity as well as the book value for adjusting the goodwill of the deferred income tax occurs from the business combination.

(4) Offset of income tax

The current income tax assets and liabilities of the Group should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Group should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

26. Leasing

Financing leasing virtually transferred the whole risks and leasing of the compensation related to the assets ownership and their ownership may eventually be transferred or maybe not. Other leasing except for the financing leasing is operating leasing.

(1) Business of operating leases recorded by the Group as the lessee

The rent expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Business of operating leases recorded by the Group as the lessor

The rent incomes from operating leases shall be recognized as the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs of great amount shall be capitalized when incurred, and be recorded into current profits and losses in accordance with the same basis for recognition of rent incomes over the whole lease term. The initial direct costs of small amount shall be recorded into current profits and losses when incurred. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(3) Business of finance leases recorded by the Group as the lessee

On the lease beginning date, the Group shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. Besides, the initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The balance through deducting unrecognized financing charges from the minimum lease payments shall be respectively stated in long-term liabilities and long-term liabilities due within 1 year.

Unrecognized financing charges shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing charges. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(4) Business of finance leases recorded by the Group as the lessor

On the beginning date of the lease term, the Group shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

Unrecognized financing incomes shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing revenues. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

27. Other Main Accounting Policies and Estimates

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

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

28. Changes in Main Accounting Policies and Estimates

(1) Changes of accounting policies

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

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

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

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

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

(2) Change of accounting estimates

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

29. Critical Accounting Judgments and Estimates

Due to the inside uncertainty of operating activity, the Group needed to make judgments, estimates and assumption on the book value of the accounts without accurate measurement during the employment of accounting policies. And these judgments, estimates and assumption were made basing on the prior experience of the senior executives of the Group, as well as in consideration of other factors. These judgments, estimates and assumption would also affect the report amount of income, costs, assets and liabilities, as well as the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of these estimates was likely to cause significant adjustment on the book value of the affected assets and liabilities.

The Group would check periodically the above judgments, estimates and assumption on the

basis of continuing operation. For the changes in accounting estimates only affected on the current period, the influence should be recognized at the period of change occurred; for the changes in accounting estimates affected the current period and also the future period, the influence should be recognized at the period of change occurred and future period.

On the balance sheet date, the Group needed to make judgments, estimates and assumption on the accounts in the following important items:

(1) Categorization of leasing

In accordance with Accounting Standards for Enterprises No. 21 – Leasing, the Group categorized the leasing into operating lease and finance lease. During the categorization, the management level needed to make analysis and judgment on whether all the risk and compensation related with the leased assets had been transferred to the lessee, or whether the Group had already undertaken all the risk and compensation related with the leased assets.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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 IX.

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%, 11%, 13%, 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	Paid at 7% of the circulating tax actually paid, of which Dongguan Packing,

Category of taxes	Specific situation of the taxes rate
tax	Dongguan Konka, Boluo Konka, Boluo Konka Precision, and Kunshan Kangsheng of 5%.
Enterprise income tax	Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng, and Chain Kingdom of 16.5%; Telecommunication Technology, Kunshan Konka, Dongguan Konka, Anhui Konka, E-display, Kangqiao Easy Chain, and Wankaida and Chongqing Qingjia, and Commercial System Technology of 15%; and Europe Konka of 31%. The Parent Company 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.

Note: (1) In accordance with the Notice on Printing the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by the Ministry of Finance, Ministry of Environmental Protection, National Development and Reform Commission, Ministry of Industry and Information, General Administration of Customs and National Taxation Bureau (CZ [2012] No. 34), and the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by National Taxation Bureau (GJSWZJGG [2012] No. 41), the domestic manufacturer of the electrical appliances and electronic products of PRC started to pay the treatment funds for discarded electrical appliance and electronic products according the sales volume (trusted processing amount) and relevant charging standards from July 1, 2012. According to the regulations, the Group's charging standards were RMB13 per set of TV, RMB12 per set of refrigerator and RMB7 per set of washing machine.

(2) According to regulations of Temporary Provisions of Income Tax of Trans-boundary Tax Payment Enterprises by State Administration of Taxation, resident enterprises without business establishment or places of legal persons should be tax payment enterprises with the administrative measures of income tax of "unified computing, level-to-level administration, local prepayment, liquidation summary, and finance transfer". It came into force from January 1, 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 January 1, 2008 and will be final settled uniformly by the Company at the year-end.

2. Tax Preference and Approved Documents

(1) On November 17, 2017, KunshanKonka Electronic Co., Ltd. (losing the controlling right due to the disposal of part of the equity on September 26), the original subsidiary of this Company, obtained the high-tech enterprise certificate (certificate No.: GF201732000709) jointly issued by Jiangsu Technology Department, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT, Jiangsu Local Taxation Bureau with a valid period of three years. According to related taxation regulations, KunshanKonka Electronic Co., Ltd. enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2020 and pays the enterprise income tax as per the preferential tax rate of 15%.

(2) On October 31, 2017, Shenzhen Konka Telecommunications Technology Co., Ltd., the subsidiary of this Company obtained the high-tech enterprise certificate (certificate No.: GR201444201722) jointly issued by Shenzhen Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT, Shenzhen Local Taxation Bureau, with a valid period of three years. According to related taxation regulations, Shenzhen Konka Telecommunications Technology Co., Ltd. enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2020 and pays the enterprise income tax as per the preferential tax rate of 15%.

(3) On October 31, 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 2020 and pays the enterprise income tax as per the referential tax rate of 15%.

(4) On November 1, 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 2020 and pays the enterprise income tax as per the preferential tax rate of 15%.

(5) On October 21, 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.

(6) On November 21, 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.

(7) On October 31, 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 2020 and pays the enterprise income tax as per the preferential tax rate of 15%.

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

(9) According to CS [2011] No.100 document issued by the Ministry of Finance of the People's Republic of China and State Administration of Taxation, for the sales of software products independently developed and produced by the ordinary VAT payer, after the VAT is collected as per the tax rate of 17%, for the 3% part exceeding the actual VAT burden, the immediate collection and refund policy shall be carried out. This Company and its subsidiaries, Shenzhen Konka Telecommunications Technology Co., Ltd., Information Network, Shenzhen Wankaida Science and Technology Co., Ltd. and Shenzhen Konka E-display Co., Ltd. enjoy the preferential policy.

(10) On August 26, 2010, the State Council formally replied the Overall Development Planning of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. In Mar. 2011, China formally included development Qianhai of Shenzhen into the Outline of 12th Five-Year Plan. In Mar. 2013, National Development and Reform Commission formally issued the Industry Admission Catalog of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen. The Catalog includes 112 industries of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone including six fields of the finance industry, the modern logistics industry, the information service industry, the technology service industry, the professional service industry and the public service industry. Kangqiao Easy Chain Company was registered in Qianhai. It enjoys the income tax rate of 15%. The Company can enjoy other preferential rights while enjoying Qianhai preferential rights. Taking the policy of enjoying the exemption in the first two years of gaining operating revenue and paying one half of the taxation from the third year to the fifth year as a high-tech enterprise for example, the Company can enjoy the taxation preferential policy of preferential tax rate while enjoying the regular reduction and exemption. Preferential tax rate can be the optimal tax rate; For example, national key software enterprises can enjoy the preferential tax rate of 10%, the Company can enjoy 15% preferential tax rate as per the Qianhai policy, so the Company can take the optimal tax rate of 10% as the income tax rate of the enterprise. The regular half deduction shall be carried out based on 25%. If the regular exemption and deduction and the tax referential policy of 15% are enjoyed at the same time, tax deduction shall be carried out based on 25% tax rate during the deduction period, namely the tax rate of 12.5%.

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 “year-begin” refers to January 1, 2017, the “year-end” refers to December 31, 2017. “This year” refers to year 2017, and “last year” refers to year 2016.

1. Monetary Funds

Item	Closing balance	Opening balance
Cash on hand	49,343.08	2,354.63
Bank deposits	3,097,850,360.68	2,020,900,590.51
Other monetary funds	114,145,147.32	596,703,311.28

Item	Closing balance	Opening balance
Total	3,212,044,851.08	2,617,606,256.42
Of which: total amount deposited in overseas	535,621,931.96	643,590,382.98

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

② On December 31, 2017, the monetary funds deposited in overseas by the Company was RMB535,621,931.96 (On December 31, 2016, RMB643,590,382.98)

2. Financial Assets Measured by Fair Value and the Changes be Included in the Current Gains and Losses

Item	Closing balance	Opening balance
Income from agreement of forward foreign exchange purchase	296,799.53	39,894,844.12
Transactional financial assets	—	212,190,150.00
Total	296,799.53	252,084,994.12

3. Notes Receivable

(1) Notes receivable listed by Item

Item	Closing balance	Opening balance
Bank acceptance bill	3,324,023,541.23	2,866,434,355.03
Trade acceptance bill	1,854,645,447.00	5,199,143.79
Total	5,178,668,988.23	2,871,633,498.82

(2) Notes receivable pledged at the period-end

Item	Amount
Bank acceptance bill	1,529,427,205.37
Trade acceptance bill	—
Total	1,529,427,205.37

Notes: Up to December 31, 2017, the Company pledged the banker's acceptance bill of the book value of RMB1,529,427,205.37 for the comprehensive financing business such as handling the billing, letter of credit, letter of guarantee, and the trading financing.

(3) Notes receivable which had endorsed by the Company or had discounted and had not due

on the balance sheet date at the year-end

Item	Amount of recognition termination at the period-end	Amount of recognition termination at the period-end
Bank acceptance bill	7,366,739,337.71	—
Commercial acceptance bill	14,844,169.30	409,381,734.73
Total	7,381,583,507.01	409,381,734.73

Note: Up to December 31, 2017, the Company used the trade acceptance bill of the book value of RMB409,381,734.73 as discount of bank with right of recourse, getting RMB401,412,156.04 of short-term borrowings.

4. Accounts Receivable

(1) Accounts receivable classified by Item

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	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

(Continued)

Category	Opening balance				
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	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	24,684,155.33	0.93	24,684,155.33	100.00	—
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,516,341,840.82	94.77	242,313,342.19	9.63	2,274,028,498.63
Subtotal of groups	2,516,341,840.82	94.77	242,313,342.19	9.63	2,274,028,498.63
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	114,253,229.55	4.30	80,316,179.69	70.30	33,937,049.86
Total	2,655,279,225.70	100.00	347,313,677.21	13.08	2,307,965,548.49

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

Accounts receivable (classified by units)	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
DSC HOLDINGS LIMITED	23,250,858.84	23,250,858.84	100.00	Difficult to recover, due to the bankruptcy of that company

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

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion(%)
Within 1 year	3,464,254,284.95	69,285,085.69	2.00
1 to 2 years	12,179,701.92	608,985.10	5.00
2 to 3 years	16,520,836.90	3,304,167.38	20.00

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion(%)
3 to 4 years	5,325,394.42	2,662,697.21	50.00
4 to 5 years	2,017,522.19	1,008,761.10	50.00
Over 5 years	164,654,415.71	164,654,415.71	100.00
Total	3,664,952,156.09	241,524,112.19	

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

Accounts receivable (classified by units)	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
H-BUSTER DO BRASIL INDUSTRIA	17,971,100.60	17,971,100.60	100.00	Undecided for bankruptcy recombination
Henan Broadcast & Television Network Co., Ltd.	4,580,000.00	1,374,000.00	30.00	Evidence shows that the amount decreases by 30%
HILEVEL CONSUMER ITALIA S.P.A	3,373,215.17	3,373,215.17	100.00	Undecided for bankruptcy recombination
Yunnan Cable Network Group Co., Ltd	2,138,825.00	748,588.75	35.00	Evidence shows that the amount decreases by 35%
Beijing Lotus Supermarket Chain Store Co., Ltd	1,733,797.99	1,733,797.99	100.00	Undecided for bankruptcy recombination
Total	29,796,938.76	25,200,702.51		

(2) Bad debt provision withdrawal, reversed or recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB

22,339,946.48; the amount of the reversed or collected part during the Reporting Period was of RMB 34,147,437.40. The decreased amount was RMB 18,523,651.91 due to the loss of controlling right of subsidiaries. The write-off amount was RMB 5,955,285.39.

(3) Top five of account receivable of closing balance collected by arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB1,479,962,894.16, 39.42% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB29,599,257.88.

5. Prepayment

(1) List by aging analysis

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	466,156,792.72	99.06	175,964.90	269,405,925.30	96.52	1,461,427.25
1 to 2 years	1,199,279.69	0.25	565,892.65	3,335,844.57	1.20	36,710.13
2 to 3 years	23,736.73	0.01	—	2,265,192.49	0.81	415,058.47
Over 3 years	3,208,755.30	0.68	2,723,615.15	4,099,193.21	1.47	2,382,301.00
Total	470,588,564.44	100.00	3,465,472.70	279,106,155.57	100.00	4,295,496.85

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

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

The total amount of top five of prepayment of closing balance collected by arrears party was RMB218,823,961.57, accounting for 46.50% of total closing balance of prepayment.

(3) No bad debt provision this year; the collected or reversed bad debt provision was RMB 796,428.79 this year; and the write-off bad debt provision was RMB 33,595.36.

6. Interest Receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	1,422,238.38	1,342,063.84
Entrusted loan interest and occupation fee of capital	391,018.39	—

Item	Closing balance	Opening balance
Total	1,813,256.77	1,342,063.84

7. Dividends Receivable

Item (or unit of investees)	Closing balance	Opening balance
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	—	10,171,609.48
Total	—	10,171,609.48

8. Other Accounts Receivable

(1) Other account receivable classified by Item

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

(Continued)

Category	Opening balance
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	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	183,915,489.33	43.21	174,186,734.34	94.71	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48
Subtotal of groups	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	1.67	2,131,520.57	30.02	4,969,881.33
Total	425,587,004.33	100.00	203,197,082.53	47.75	222,389,921.80

① Other account receivable with significant single amount for which bad debt provision separately accrued at the year-end

Other accounts receivable (unit)	Closing balance			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion	
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	7,521,158.15	41.52%	Assessment irrecoverable for full 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	173,320,694.97		

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	145,262,558.37	2,905,251.17	2.00
1 to 2 years	14,944,132.69	747,206.63	5.00
2 to 3 years	8,571,994.74	1,714,398.95	20.00
3 to 4 years	8,702,376.98	4,351,188.49	50.00
4 to 5 years	4,530,000.24	2,265,000.12	50.00
Over 5 years	16,785,797.66	16,785,797.66	100.00
Total	198,796,860.68	28,768,843.02	

(2) Bad debt provision withdrawal, reversed or collected in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 5,534,577.49; the amount of the reversed or collected part during the Reporting Period was of RMB 5,683,708.86. The decreased amount was RMB 220,799.75 due to the loss of controlling right of subsidiaries. The write-off amount was RMB 3,719.74.

(3) Other accounts receivable classifies by accounts nature

Nature	Closing book balance
Subsidies	152,402,680.00
Intercourse funds of units	112,770,834.83
Deposit and margin	31,270,504.40
Pretty cash	5,595,851.91
Transferred funds	23,715,952.51
Others	59,472,707.41
Total	385,228,531.06

(4) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Name	Nature	Closing balance	Aging	proportion (%)	Closing balance of provision for bad debt
National energy-saving and benefiting people (Energy-saving subsidies)	Subsidies	152,402,680.00	1-2 years, 4-5 years, over 5 years	39.56	152,402,680.00
Export tax rebate receivables	Tax rebate	19,336,609.25	Within 1 year	5.02	386,732.19
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Transferred funds	18,115,952.51	3-4 years	4.70	7,521,158.15
Chongqing Konka Automotive Electronics Co., Ltd.	Intercourse funds	13,396,856.82	2-3 years, 3-4 years, 4-5 years, over 5 years	3.48	13,396,856.82
Bohao International Trust Co., Ltd	Deposit	9,790,000.00	Within 1 year	2.54	195,800.00
Total	—	213,042,098.58	—	55.30	173,903,227.16

9. Inventory

(1) Category

Item	Closing amount			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment provisions	Book 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:				

Item	Closing amount			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment provisions	Book value
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

(Continued)

Item	Opening balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment provisions	Book value
Development projects of the property:				
Development cost	1,394,176,034.85	—	—	1,394,176,034.85
Development products	7,596,482.12	141,378.83	—	7,596,482.12
Subtotal	1,401,772,516.97	141,378.83	—	1,401,772,516.97
Non-development projects of the property:				
Raw materials	781,934,686.08	—	31,054,247.46	750,880,438.62
Semi-finished product	83,957,767.23	—	8,872,936.27	75,084,830.96
Inventory goods	2,306,460,682.29	—	247,224,025.03	2,059,236,657.26
Turnover material	439,500.54	—	—	439,500.54
Subtotal	3,172,792,636.14	—	287,151,208.76	2,885,641,427.38
Total	4,574,565,153.11	141,378.83	287,151,208.76	4,287,413,944.35

(2) List of the development cost

Name of item	Starting time	Expected completion time of the next batch	Opening amount	Closing amount
Phases of Shuiyue Zhouzhuang Project	2015	Finishing by phases, Phase IV is estimated to be finished in 2018	449,653,196.40	304,110,330.47
Kangqiao Jiacheng	October 2015	Transferred	944,522,838.45	—
Innovation Center	April 2018	December 2022	—	77,986,037.70
Total			1,394,176,034.85	382,096,368.17

(3) List of the developed products

Name of item	Completion time	Opening amount	Increased	Decreased	Closing amount
Shuiyue Zhouzhuang Project(Phase I)	Y 2014	3,953,247.18	1,850.55	—	3,955,097.73
Shuiyue Zhouzhuang Project(Phase II)	Y 2015	3,643,234.94	2,419,870.60	3,990,597.15	2,072,508.39
Shuiyue Zhouzhuang Project (Phase III)	Y 2017	—	404,113,772.60	392,938,118.47	11,175,654.13
Total		7,596,482.12	406,535,493.75	396,928,715.62	17,203,260.25

(4) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reversed or write-off	Other	
Raw materials	31,054,247.46	5,127,616.01	—	11,732,065.95	1,642,366.46	22,807,431.06
Semi-finished product	8,872,936.27	2,191,915.68	—	2,589,210.96	—	8,475,640.99
Inventory goods	247,224,025.03	157,673,428.00	—	112,293,150.19	1,012,525.06	291,591,777.78
Total	287,151,208.76	164,992,959.69	—	126,614,427.10	2,654,891.52	322,874,849.83

Notes: other decrease was due to the loss of control right to subsidiaries.

(5) Withdrawal provision basis of the falling price of the inventory and the reasons of the reserve 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 book value	—	Sold or disposed in the current period
Raw materials	The realizable net value was lower than the book value	—	Sold or disposed in the current period
Inventory goods	The realizable net value was lower than the book value	—	Sold in the current period

The decrease of inventories' market price in 2017 resulted into the realizable net value of finished products and relevant raw materials value lower than inventory cost.

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

10. Other Current Assets

Item	Closing balance	Opening balance
Financial products	400,063,013.70	299,745,437.03
Entrust loans	979,000,000.00	—
Unreached bank deposits	4,401,110.41	—
Prepayments and deductible taxes	331,862,744.70	262,458,679.17
Total	1,715,326,868.81	562,204,116.20

11. Available-for-sale Financial Assets

(1) List of available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	722,918,184.73	10,747,785.64	712,170,399.09	319,965,425.00	4,997,785.64	314,967,639.36
Of which: measured at fair value	58,162.76	-	58,162.76	55,777,425.00	—	55,777,425.00
Measured by cost	722,860,021.97	10,747,785.64	712,112,236.33	264,188,000.00	4,997,785.64	259,190,214.36
Total	722,918,184.73	10,747,785.64	712,170,399.09	319,965,425.00	4,997,785.64	314,967,639.36

(2) Available-for-sale financial assets measured by fair value at the period-end

Item	Available-for-sale equity instruments
Cost of the equity instruments	26,820.68
Fair value	58,162.76
Changed amount of the fair value accumulatively included in other comprehensive income	31,342.08
Withdrawn impairment amount	—

(3) Available-for-sale financial assets measured by cost at the period-end

Investee	Book balance
----------	--------------

	Year-begin	Increased	Decreased	Year-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 Yifan Interactive Science & Technology Co., Ltd.	9,500,000.00	—	9,500,000.00	—
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
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	6,000,000.00	—	—	6,000,000.00
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	2,400,000.00	—	—	2,400,000.00
ChinaAMC - Jiayi Overseas Orientation Programs	203,000,000.00	—	—	203,000,000.00
Hunan Vary Science & Technology Co., Ltd. (Note ①)	—	47,230,000.00	—	47,230,000.00
Beijing Konka Technology Co., Ltd	4,700,000.00	—	—	4,700,000.00
Yibin OCT Sanjiang Real Estate Co., Ltd	—	120,000,000.00	—	120,000,000.00
Enraytek Optoelectronics (Shanghai) Co., Ltd.(Note ②)	—	61,494,666.97	—	61,494,666.97
Wuhan Tianyuan Environmental Protection Co., Ltd	—	239,447,355.00	—	239,447,355.00

Investee	Book balance			
	Year-begin	Increased	Decreased	Year-end
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note ③)	—	—	—	-
Total	264,188,000.00	468,172,021.97	9,500,000.00	722,860,021.97

(Continued)

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Year-begin	Increased	Decreased	Year-end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—	—	—	—	6.00	—
Shenzhen Tianyilian Science & Technology Co., Ltd.	—	—	—	—	6.10	—
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	—	—	—	—	—
Shenzhen A Dot TV Co., Ltd.	—	5,750,000.00	—	5,750,000.00	12.67	—
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00	9.60	—
ZAEFI	100,000.00	—	—	100,000.00	—	—
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00	—	—	485,000.00	1.00	—
Shanlian Information Technology Engineering Center	1,639,190.80	—	—	1,639,190.80	9.62	—
Shenzhen CIU Science & Technology Co., Ltd.	200,000.00	—	—	200,000.00	11.50	—
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	1,273,594.84	—	—	1,273,594.84	6.00	—

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Year-begin	Increased	Decreased	Year-end		
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	—	—	—	—	4.26	—
ChinaAMC - Jiayi Overseas Orientation Programs	—	—	—	—	—	4,310,000.00
Hunan Vary Science & Technology Co., Ltd.	—	—	—	—	8.38	—
Beijing Konka Technology Co., Ltd	—	—	—	—	3.62	—
Yibin OCT Sanjiang Real Estate Co., Ltd	—	—	—	—	20.00	—
Enraytek Optoelectronics (Shanghai) Co., Ltd.(Note ②)	—	—	—	—	18.90	—
Wuhan Tianyuan Environmental Protection Co., Ltd	—	—	—	—	15.22	—
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note ③)	—	—	—	—	—	—
Total	4,997,785.64	5,750,000.00	—	10,747,785.64	—	—

(4) Changes of the impairment of the available-for-sale financial assets of the Reporting Period

Category of available-for-sale financial assets	Available-for-sale equity instruments
Withdrawn impairment balance at the period-begin	4,997,785.64
Withdrawal of the Reporting Period	5,750,000.00
Of which: transferred from other comprehensive income	—
Decrease of the Reporting Period	—
Of which: recovered or reversed from the fair value after the Period	—
Withdrawn impairment balance at the period-end	10,747,785.64

Note: ① Hunan Vary Tech Co., Ltd. is a new over-the-counter market listed company. Its share price does not represent its fair value, so measurement shall be carried out as per the costs rather than the fair value.

② During this current period, since additional contribution of other shareholders of EnrayTek (Shanghai) Co., Ltd., holding share of this Company in EnrayTek (Shanghai) Co., Ltd. has decreased to less than 20.00%, this Company will not assign directors and will not have significant influences on EnrayTek (Shanghai) Co., Ltd. This Company transfers it into the financial asset available for sale to carry out the audit.

③ On March 27, 2015, the People's Court of Jiangbei District, Chongqing handled the bankruptcy liquidation application of Chongqing Electronics, the subsidiary of this Company and established the liquidation group. This Company will not own the right of controlling related activities of Chongqing Electronics. After bankruptcy, it will not be included into the consolidation scope. It will be reclassified into the financial asset available for sale with the net value of zero. Liquidation has not been finished in the current period.

12. Long-term Equity Investment

Investee	Opening balance	Increase/decrease in Reporting Period				
		Additional investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Associated enterprises						
Enraytek Optoelectronics (Shanghai) Co., Ltd.	88,298,590.32	—	—	-3,631,202.02	—	—
Shenzhen Konka Energy Technology Co., Ltd.	3,649,728.08	—	3,649,728.08	—	—	—
Shanghai Konka Green Science & Technology Co., Ltd.	85,791,460.71	—	—	-3,787,726.31	-2,274,173.49	—
Zhuhai Jinsu Plastic Co., Ltd.	7,438,647.50	—	—	2,005,513.47	—	—
Shenzhen Konka Precision Mold Manufacturing Co., Ltd	85,405,031.28	9,722,241.65	—	5,907,850.90	—	-1,472,732.35
Dongguan Konka Mold Plastic Co., Ltd	27,166,487.52	—	27,175,409.62	8,922.10	—	—
Panxu Intelligence Co., Ltd	—	47,880,000.00	—	1,400,920.63	-863,874.55	—
Shenzhen Zhongbin Konka technology co., Ltd.	19,164,691.78	—	—	-4,847,290.98	—	—
Shenzhen Konka Intelligent Electric Co., Ltd	6,213,908.63	—	—	-1,286,319.16	—	—
Shenzhen Konka Information Network Co., Ltd	20,426,438.47	—	—	6,035,773.87	—	—

Investee	Opening balance	Increase/decrease in Reporting Period				
		Additional investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Shenzhen Yaode Technology Co., Ltd	—	171,799,598.00	—	5,681,317.52	—	32,798,217.03
Guangdong Chutian Dragon Smart Card Co., Ltd.	—	588,000,000.00	—	7,014,858.00	—	22,199,713.50
Guangdong Hotcomm Information Technology Co., Ltd	—	2,000,000.00	—	-476,833.76	—	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd	—	4,000,000.00	—	-1,574,737.34	—	—
Shenzhen OCT Life Network Technology Co., Ltd	—	—	—	-22,084.12	—	—
Kunshan Konka	—	—	—	-9,553,536.24	—	—
Total	343,554,984.29	823,401,839.65	30,825,137.70	2,875,426.56	-3,138,048.04	53,525,198.18

(Continued)

Investee	Increase/decrease in Reporting Period				Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Equity method converted into financial assets		

				available for sale		
Associated enterprises						
Enraytek Optoelectronics (Shanghai) Co., Ltd.	—	—	—	-84,667,388.30	—	—
Shenzhen Konka Energy Technology Co., Ltd.	—	—	—	—	—	—
Shanghai Konka Green Science & Technology Co., Ltd.	—	—	—	—	79,729,560.91	—
Zhuhai Jinsu Plastic Co., Ltd.	—	—	—	—	9,444,160.97	—
Shenzhen Konka Precision Mold Manufacturing Co., Ltd	—	—	—	—	99,562,391.48	—
Dongguan Konka Mold Plastic Co., Ltd	—	—	—	—	—	—
Panxu Intelligence Co., Ltd	—	—	—	—	48,417,046.08	—
Shenzhen Zhongbin Konka technology co., Ltd.	—	—	—	—	14,317,400.80	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	—	—	4,927,589.47	—
Shenzhen Konka Information Network Co., Ltd	—	—	—	—	26,462,212.34	—
Shenzhen Yaode Technology Co., Ltd	—	—	—	—	210,279,132.55	—
Guangdong Chutian Dragon Smart Card	—	—	—	—	617,214,571.50	—

Co., Ltd.						
Guangdong Hotcomm Information Technology Co., Ltd	—	—	—	—	1,523,166.24	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd	—	—	—	—	2,425,262.66	—
Shenzhen OCT Life Network Technology Co., Ltd	—	—	—	—	-22,084.12	—
Kunshan Konka	—	—	215,260,469.100	—	205,706,932.86	—
Total	—	—	215,260,469.100	-84,667,388.30	1,319,987,343.74	—

13. Investment Property

Investment property adopted the cost measurement mode

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance	249,923,047.75	249,923,047.75
2. Increased amount of the period	—	—
3. Decreased amount of the period	—	—
4. Closing balance	249,923,047.75	249,923,047.75
II. The accumulative depreciation and accumulative amortization		
1. Opening balance	27,836,143.49	27,836,143.49
2. Increased amount of the period	5,631,274.27	5,631,274.27
Withdraw or amortization	5,631,274.27	5,631,274.27
3. Decreased amount of the period	—	—
4. Closing balance	33,467,417.76	33,467,417.76
III. Impairment provision		
1. Opening balance	—	—
2. Increased amount of the period	—	—
3. Decreased amount of the period	—	—
4. Closing balance	—	—
IV. book value		
1. Closing book value	216,455,629.99	216,455,629.99
2. Opening book value	222,086,904.26	222,086,904.26

14. Fixed Assets

(1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
I. Original book value						
1. Opening balance	1,585,782,685.49	758,663,226.60	212,512,639.28	53,668,633.02	169,982,040.39	2,780,609,224.78
2. Increased amount of the period	235,311,359.73	87,830,571.32	27,200,941.36	4,341,248.30	33,698,281.84	388,382,402.55
(1) Purchase	—	25,242,248.96	12,466,070.83	3,638,342.32	11,033,064.71	52,379,726.82
(2) Transfer of project under construction	235,311,359.73	62,588,322.36	14,734,870.53	702,905.98	22,665,217.13	336,002,675.73
(3) increase of business combination	—	—	—	—	—	—
3. Decreased amount of the period	262,054,270.74	130,545,962.87	52,603,824.88	8,079,258.19	29,471,833.34	482,755,150.02
(1) Disposal or Scrap	68,807,164.02	14,135,891.95	40,045,994.14	4,367,359.43	5,999,978.65	133,356,388.19
(2) decrease of loss of controlling right	193,247,106.72	116,410,070.92	12,557,830.74	3,711,898.76	23,471,854.69	349,398,761.83
4. Closing 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

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
II. Accumulative depreciation						
1. Opening balance	392,850,477.50	462,360,402.61	163,374,809.37	39,315,097.11	123,516,834.06	1,181,417,620.65
2. Increased amount of the period	39,514,244.96	45,483,454.84	12,769,800.26	3,627,151.42	15,258,844.64	116,653,496.12
(1) Withdrawal	39,514,244.96	45,483,454.84	12,769,800.26	3,627,151.42	15,258,844.64	116,653,496.12
3. Decreased amount of the period	64,704,722.05	79,700,435.00	46,721,832.51	6,173,951.27	23,481,987.72	220,782,928.55
(1) Disposal or Scrap	35,133,954.47	8,857,364.99	36,200,212.56	3,577,593.83	5,310,405.04	89,079,530.89
(2) decrease of loss of controlling right	29,570,767.58	70,843,070.01	10,521,619.95	2,596,357.44	18,171,582.68	131,703,397.66
4. Closing 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
III. Depreciation reserves						
1. Opening balance	2,006,749.30	16,777,278.59	3,760,562.66	950,517.86	1,717,581.69	25,212,690.10
2. Increased amount of the period	—	1,177,357.31	294,819.03	—	241,638.35	1,713,814.69
(1) Withdrawal	—	1,177,357.31	294,819.03	—	241,638.35	1,713,814.69

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
3. Decreased amount of the period	942,269.83	886,810.91	2,806,008.51	87,814.50	425,660.30	5,148,564.05
(1) Disposal or Scrap	942,269.83	886,810.91	2,806,008.51	87,814.50	279,442.64	5,002,346.39
(2) decrease of loss of controlling right	—	—	—	—	146,217.66	146,217.66
4. Closing balance	1,064,479.47	17,067,824.99	1,249,373.18	862,703.36	1,533,559.74	21,777,940.74
IV. Book value						
1. Closing book 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. Opening book value	1,190,925,458.69	279,525,545.40	45,377,267.25	13,403,018.05	44,747,624.64	1,573,978,914.03

(2) List of Temporarily Idle Fixed Assets

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipment	17,524,987.37	7,122,279.16	7,616,807.91	2,785,900.30
Electronic equipment	4,417,917.35	4,417,917.35	—	—
Transportation equipment	246,153.82	196,025.58	42,128.24	8,000.00
Other equipment	157,611.28	157,611.28	—	—
Total	22,346,669.82	11,893,833.37	7,658,936.15	2,793,900.30

(3) Fixed Assets Leased in from Financing Lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipment	5,988,219.52	2,252,794.10	—	3,735,425.42
Electronic equipment	205,128.20	116,239.31	—	88,888.89
Total	6,193,347.72	2,369,033.41		3,824,314.31

(4) Fixed Assets Leased out from Operation Lease

Item	Closing book value
Houses and buildings	38,330,146.06
Total	38,330,146.06

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

Item	Original book value	Accumulative depreciation	Impairment provision	Net book value	Reason
Kangsheng Aquatic Club	21,481,356.96	2,363,211.89	—	19,118,145.07	Under processing
Huaguoyuan Project in Huaguoyuan Road, Guiyang	3,628,629.00	129,269.92	—	3,499,359.08	Under processing
Pangjiang Street Property in Dadong District,	10,189,892.23	842,885.68	—	9,347,006.55	The problems of

Shenyang					developers
Yinhai Shangyu Property in Guandu District, Kunming	5,432,239.86	244,450.82	—	5,187,789.04	Under processing
Jingyuan Building	20,018,497.00	8,194,102.38	—	11,824,394.62	Historical reasons
Yikang Building	76,610,752.33	31,733,590.84	—	44,877,161.49	Historical reasons

15. Construction in Progress

(1) List of Construction in Progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Kunshan hotel	—	—	—	286,093,111.12	—	286,093,111.12
Kunshan Kangsheng - Green Park	29,125,312.81	—	29,125,312.81	8,061,797.71	—	8,061,797.71
Guangming Project	76,514,067.90	—	76,514,067.90	6,111,540.55	—	6,111,540.55
Kunshan gallery	1,643,881.07	—	1,643,881.07	1,643,881.07	—	1,643,881.07
Other small projects	28,580,559.23	—	28,580,559.23	13,626,106.60	—	13,626,106.60
Total	135,863,821.01	—	135,863,821.01	315,536,437.05	—	315,536,437.05

(2) Changes of Significant Construction in Progress

Name of item	Estimated number	Opening balance	Increase Amount	Amount that transferred to long-term fixed assets of the period	Other decreased amount of the period	Closing balance
Guangming Project	RMB241 million	6,111,540.55	70,402,527.35	—	—	76,514,067.90
Green Park	RMB35 million	8,061,797.71	21,063,515.10	—	—	29,125,312.81
Kunshan gallery	RMB263 million	1,643,881.07	—	—	—	1,643,881.07

Kunshan hotel	RMB445 million	286,093,111.12	73,338,154.78	359,431,265.90	—	—
Other small projects		13,626,106.60	45,201,663.29	30,247,210.66	—	28,580,559.23
Total		315,536,437.05	210,005,860.52	389,678,476.56	—	135,863,821.01

(Continued)

Project name	Proportion estimated of the project accumulative input (%)	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period (%)	Capital resources
Guangming Project	31.75	31.75	—	—	—	Self-owned fund
Green Park	83.22	83.22	—	—	—	Self-owned fund
Kunshan gallery	6.25	6.25	—	—	—	Self-owned fund
Kunshan hotel	100.00	100.00	—	—	—	Self-owned fund

16. Intangible Assets

(1) List of intangible assets

Item	Land use right	Foreign registered trademark	Patent and know-how	Other	Total
I. Original book value					
1. Opening balance	316,997,134.11	3,519,159.61	40,234,111.64	56,205,873.76	416,956,279.12
2. Increased amount of the period	—	—	—	10,460,042.83	10,460,042.83
(1) Purchase	—	—	—	4,993,647.22	4,993,647.22
(2) Transfer of project under construction	—	—	—	5,466,395.61	5,466,395.61
(3) increase of business combination	—	—	—	—	—
3. Decreased amount of the period	120,008,004.64	—	—	—	120,008,004.64
(1) Disposal	57,971,330.60	—	—	—	57,971,330.60

Item	Land use right	Foreign registered trademark	Patent and know-how	Other	Total
(2) other decrease	62,036,674.04	—	—	—	62,036,674.04
4.Closing balance	196,989,129.47	3,519,159.61	40,234,111.64	66,665,916.59	307,408,317.31
II. Accumulated amortization					
1.Opening balance	53,371,371.76	3,412,215.10	33,745,464.74	21,480,517.47	112,009,569.07
2. Increased amount of the period	6,535,445.18	106,944.51	674,662.10	5,295,354.80	12,612,406.59
(1) Withdrawal	6,535,445.18	106,944.51	674,662.10	5,295,354.80	12,612,406.59
3.Decreased amount of the period	25,172,514.65	—	—	—	25,172,514.65
(1) Disposal	9,946,888.86	—	—	—	9,946,888.86
(2) other decrease	15,225,625.79	—	—	—	15,225,625.79
4.Closing balance	34,734,302.29	3,519,159.61	34,420,126.84	26,775,872.27	99,449,461.01
III. Depreciation reserves					
1.Opening balance	—	—	2,901,082.61	—	2,901,082.61
2. Increased amount of the period	—	—	—	—	—
(1) Withdrawal	—	—	—	—	—
3.Decreased amount of the period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
(2) other decrease	—	—	—	—	—
4.Closing balance	—	—	2,901,082.61	—	2,901,082.61
IV. Book value					
1. Closing book value	162,254,827.18	—	2,912,902.19	39,890,044.32	205,057,773.69
2. Opening book value	263,625,762.35	106,944.51	3,587,564.29	34,725,356.29	302,045,627.44

17. Goodwill**(1) Original book value of goodwill**

Name of the investees or the events formed goodwill	Opening balance	Increased		Decreased		Closing balance
		Formed from the business combination	Other	Dispose	Other	
Anhui Konka	3,597,657.15	—	—	—	—	3,597,657.15
Total	3,597,657.15	—	—	—	—	3,597,657.15

(2) Provisions for goodwill impairment

Name of the investees or the events formed goodwill	Opening balance	Increased		Decreased		Closing balance
		Withdrawal	Other	Dispose	Other	
Anhui Konka	—	—	—	—	—	—
Total	—	—	—	—	—	—

18. Long-term Unamortized Expenses

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing amount
Renovation costs	16,313,225.16	13,712,508.40	6,365,715.43	418,814.62	23,241,203.51
Shoppe expense	51,212,313.70	45,463,582.41	35,805,223.23	4,468,416.60	56,402,256.28
Other	24,375,994.53	63,556,941.88	16,523,132.96	992,325.94	70,417,477.51
Total	91,901,533.39	122,733,032.69	58,694,071.62	5,879,557.16	150,060,937.30

Notes: Other decrease included the decreased amount RMB1,113,360.86 mainly generated from the loss of control over subsidiaries.

19. Deferred Income Tax Assets/Deferred Income Tax Liabilities**(1) Deferred income tax assets without offset**

Item	Closing balance		Opening balance	
	Deductible temporary	Deferred income tax assets	Deductible temporary	Deferred income tax assets
Assets impairment provision	796,345,288.62	197,835,345.27	746,292,412.93	184,974,531.80

Unrealized internal sales gain and loss	32,715,116.95	8,178,779.24	100,026,922.96	25,006,730.74
Accrued expenses	118,441,697.07	28,839,536.61	113,547,244.37	28,241,712.82
Deferred income	106,943,380.58	25,500,563.17	90,555,138.14	21,799,952.55
Deductible losses	2,250,284.11	364,943.32	1,622,776,529.02	405,694,132.25
Changes in fair value of transactional financial liabilities	47,482,470.52	11,870,617.63	---	---
others	141,409,911.41	35,352,477.88	144,068,370.06	36,017,092.52
Total	1,245,588,149.26	307,942,263.12	2,817,266,617.48	701,734,152.68

(2) Lists of deferred income tax liabilities without offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	6,889,703.33	1,033,455.50	6,867,714.25	1,030,157.14
Change in fair value of trading financial assets	---	---	39,557,580.99	9,889,395.25
Change in fair value of available-for-sale financial assets	---	---	8,547,425.00	2,136,856.25
Prepaid interests	45,386,505.16	11,346,626.29	14,848,590.56	3,712,147.64
Prepaid taxes	1,026,206.42	256,551.61	9,577,050.20	2,394,262.55
Total	53,302,414.91	12,636,633.40	79,398,361.00	19,162,818.83

(3) List of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	132,372,523.56	215,783,474.69
Deductible losses	1,085,593,457.20	1,198,447,416.45
Total	1,217,965,980.76	1,414,230,891.14

20. Assets Impairment Provision

Item	Opening balance	Withdrawn impairment	Decreased		Closing balance
			Reverse	Write-off or others	

Item	Opening balance	Withdrawn	Decreased		Closing balance
I. Bad debt provision	554,806,256.59	27,874,523.97	40,627,575.05	24,737,052.15	517,316,153.36
II. Impairment of inventories	287,151,208.76	164,992,959.69	—	129,269,318.62	322,874,849.83
III. Impairment provision of the available-for-sale financial assets	4,997,785.64	5,750,000.00	—	—	10,747,785.64
IV. Impairment provision of the fixed assets	25,212,690.10	1,713,814.69	—	5,148,564.05	21,777,940.74
V. Impairment provision of the intangible assets	2,901,082.61	—	—	—	2,901,082.61
VI. Long-term equity investment	33,906,863.92	—	—	33,906,863.92	—
Total	908,975,887.62	200,331,298.35	40,627,575.05	193,061,798.74	875,617,812.18

21. Other Non-current Assets

Item	Closing balance	Opening balance
Prepayment for equipment	1,122,880.00	—
Prepayment for house-purchase	8,167,948.00	—
Entrusted loans from Hunan Vary	20,000,000.00	—
Total	29,290,828.00	—

22. Short-term Loans

Item	Closing balance	Opening balance
Credit loan	6,033,663,163.14	5,842,745,719.99
Guaranteed loan	—	720,088,506.52
Pledged loan	893,808,874.21	—
Total	6,927,472,037.35	6,562,834,226.51

Notes: ① Chain Kingdom took USD3,356,892.00 offshore margin as pledge, obtaining RMB21,934,332.45 short-term loans.

② Konka Household Appliances International Trading took USD72,000,000.00 usance letter of credit with 360 days as pledge, obtaining RMB470,462,385.72 short-term loans.

③ Konka Factoring discounted the notes receivable with right of recourse, obtaining RMB401,412,156.04 short-term loans in equal amount.

23. Financial Liabilities Measured by Fair Value and the Changes Included in the Current Gains and Losses

Item	Closing balance	Opening balance
Loss from forward foreign exchange purchase agreement	47,482,470.50	337,263.13
Total	47,482,470.50	337,263.13

24. Notes Payable

Category	Closing balance	Opening balance
Trade acceptance bill	133,211,455.00	259,499,645.15
Bank acceptance bill	407,963,857.09	604,209,493.24
Total	541,175,312.09	863,709,138.39

Notes: The amount of notes payable due during the next accounting period was RMB 541,175,312.09.

25. Accounts Payable

(1) List of Accounts Payable

Aging	Closing balance	Opening balance
Within 1 year	3,519,530,711.60	3,051,643,650.52
1 to 2 years	53,966,422.15	53,050,351.35
2 to 3 years	5,991,933.36	10,532,651.04
Over 3 years	32,727,199.48	44,846,922.65
Total	3,612,216,266.59	3,160,073,575.56

(2) Notes of the Accounts Payable Aging over One Year

Item	Closing balance	Unpaid/ Un-carry-over reason
Estimated construction costs	30,024,732.95	Unsettled
Accounts from the transfer of equity	5,471,802.64	Unsettled
Total	35,496,535.59	

26. Advance from Customers

(1) List of Advance from Customers

Item	Closing balance	Opening balance
Within 1 year	571,998,516.53	1,160,427,420.29
1 to 2 years	36,662,083.53	19,169,243.24

Item	Closing balance	Opening balance
2 to 3 years	14,937,831.50	6,518,376.19
Over 3 years	16,912,352.61	15,311,183.98
Total	640,510,784.17	1,201,426,223.70

(2) The Significant Advance from Customers Aging over 1 year was Mainly Generated from the Advance from Customers from Companies without Continuous Cooperation.

(3) Advance Receipts of Houses

Item	Closing balance	Opening balance
Shuiyue Zhouzhuang Project (Phase I Residence)	2,383,130.00	1,345,098.00
Shuiyue Zhouzhuang Project (Phase II Residence)	2,559,493.00	2,560,000.00
Shuiyue Zhouzhuang Project (Phase III Residence)	11,129,253.00	890,759,963.00
Shuiyue Zhouzhuang Project (Phase IV Residence)	30,861,638.00	—
Total	46,933,514.00	894,665,061.00

27. Payroll Payable

(1) List of Payroll Payable

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
I. Short-term salary	269,328,946.11	1,471,496,305.40	1,443,874,699.88	7,903,886.78	289,046,664.85
II. Post-employment benefit-defined contribution plans	2,067,376.48	133,998,613.15	133,533,164.99	209,191.82	2,323,632.82
III. Termination benefits	1,663,194.06	6,727,284.26	8,390,478.32	—	—
IV. Other benefits due within one year	—	—	—	—	—
Total	273,059,516.65	1,612,222,202.81	1,585,798,343.19	8,113,078.60	291,370,297.67

(2) List of Short-term Salary

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
1. Salary, bonus, allowance, subsidy	259,948,249.68	1,280,781,512.27	1,257,407,376.76	7,797,832.86	275,524,552.33
2. Employee welfare	1,210,626.63	60,009,252.10	56,656,895.63	—	4,562,983.10
3. Social insurance	1,799,379.97	63,767,334.01	62,644,280.55	106,053.92	2,816,379.51
Of which: 1. Medical insurance premiums	894,422.89	54,782,715.76	54,776,076.04	85,698.00	815,364.61
Work-related injury insurance	180,237.94	4,237,927.94	4,155,953.50	14,997.15	247,215.23
Maternity insurance	724,719.14	4,746,690.31	3,712,251.01	5,358.77	1,753,799.67
4. Housing fund	1,313,004.12	33,601,337.87	34,614,810.82	—	299,531.17
5. Labor union budget and employee education budget	4,314,422.20	12,047,161.99	12,737,092.55	—	3,624,491.64
6. Short-term absence with payment	—	—	—	—	—
7. Short-term profit sharing plan	—	—	—	—	—
8. Other	743,263.51	21,289,707.16	19,814,243.57	—	2,218,727.10
Total	269,328,946.11	1,471,496,305.40	1,443,874,699.88	7,903,886.78	289,046,664.85

(3) List of Drawing Scheme

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
1. Basic pension benefits	1,929,475.33	130,307,673.08	129,936,684.14	203,532.75	2,096,931.52
2. Unemployment insurance	137,901.15	3,690,940.07	3,596,480.85	5,659.07	226,701.30
3. Annuity	—	—	—	—	—
Total	2,067,376.48	133,998,613.15	133,533,164.99	209,191.82	2,323,632.82

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with requirements of local government, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant

expense occurred was recorded into current profits and losses or related assets costs.

28. Taxes Payable

Item	Closing balance	Opening balance
VAT	47,749,976.31	22,004,630.74
Corporate income tax	1,124,832,572.96	47,284,465.50
Fund for disposing abandoned appliances and electronic products	23,666,123.67	22,247,050.00
Land use tax	1,855,882.68	7,665,004.34
Real estate tax	4,802,640.61	5,981,502.18
Business tax	401,823.10	5,657,810.54
Tariff	3,451,843.43	4,840,472.49
Personal income tax	3,570,618.46	3,057,758.99
Urban maintenance and construction tax	4,155,984.89	1,045,876.46
Stamp duty	1,851,821.21	1,038,401.33
Education fees and local education Surcharge	4,749,633.12	762,586.83
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	344,630.28	2,661.16
Land VAT	104,967,760.07	—
Others	167,783.74	317,200.62
Total	1,326,569,094.53	121,905,421.18

29. Interest Payable

Item	Closing balance	Opening balance
Loan interests	35,723,963.94	21,344,172.45
Total	35,723,963.94	21,344,172.45

30. Other Accounts Payable

(1) Other Accounts Payable Listed by Nature of the Account

Item	Closing balance	Opening balance
Expenses payable	826,839,671.60	1,024,955,359.82
Margin, deposits	472,308,401.08	200,962,374.64

Item	Closing balance	Opening balance
Intercourse funds	222,637,701.31	140,710,255.05
Payment on behalf	3,606,727.50	9,468,406.97
Others	82,966,804.38	68,253,590.26
Total	1,608,359,305.87	1,444,349,986.74

(2) Other Significant Accounts Payable with Aging over One Year

Item	Closing balance	Unpaid/ Un-carry-over reason
Cash deposit	82,742,462.44	Unsettled
Total	82,742,462.44	—

31. Non-current Liabilities Due within 1 Year

Item	Closing balance	Opening balance
Long-term accounts payable due within 1 year (Note: 33)	374,358.99	41,025.60
Total	374,358.99	41,025.60

32. Long-term Loan

Item	Closing balance	Opening balance
Credit loan	167,000,000.00	70,000,000.00
Total	167,000,000.00	70,000,000.00

33. Long-term Payable

Item	Closing balance	Opening balance
Chuzhou Tongchuang Jianshe Investment Co., Ltd.	—	30,000,000.00
Accrued financial lease outlay	435,897.45	143,589.74
Less: Expired part due within 1 year (Note VI: 31)	374,358.99	41,025.60
Total	61,538.46	30,102,564.14

34. Long-term Payroll Payable

(1) List of Long-term Payroll Payable

Item	Closing Balance	Opening Balance
I. Termination benefits-net liabilities of defined contribution plans	13,361,821.86	18,151,659.90
II. Termination benefits	—	—
III. Other long term welfare	—	—
Total	13,361,821.86	18,151,659.90

(2) Changes of Defined Benefit Plans

① Present Worth of Defined Benefit Plans Obligation:

Item	Reporting Period	Last period
I. Opening balance	18,151,659.90	23,435,856.86
II. Defined benefit cost recorded into current profits and losses	—	—
1. Current service cost	—	—
2. Previous service cost	—	—
3. Settlement gains (loss “—”)	—	—
4. Net interest	—	—
III. The cost of defined benefit recorded into other comprehensive income	—	—
1. Actuarial gains (loss “-“)	—	—
IV. Other changes	4,789,838.04	5,284,196.96
1. Consideration of settlement of payment	—	—
2. Welfare had paid	4,789,838.04	5,284,196.96
V. Closing balance	13,361,821.86	18,151,659.90

② Notes to the Influence of the Content and Related Risk of Defined Benefit Plans 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 Communication Technology Co., Ltd on the premise to balance the Company's and employees' benefits and voluntary selection, Communication Technology provides early retirement plans for senior

employees (employed before 31 Dec. 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 RMB 34,931,714.55, 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 Analysis Results of Actuarial Assumptions and Sensibility of Defined Benefit Plans

Major assumptions estimated	Period-end of Reporting Period	Period-end of last period
Discount rate	Treasury bond rate in same period	—
Death rate	0%	—
Expected life expectancy	Over legal emeritus age	—
Expected compensation growth rate	0%	—

35. Accrued Liabilities

Item	Opening balance	Closing balance	Formation reasons
Pending litigation	4,711,597.59	4,711,597.59	Litigation
Others	2,840,387.51	1,470,267.51	Contract consideration
Total	7,551,985.10	6,181,865.10	

36. Government Subsidies

1. Government Subsidies Initially Recognized at the Period-begin

Item	Amount	Related to assets		Related to income			Whether received actually
		Deferred income	Book value of write-down assets	Deferred income	Other income	Non-operating income	

Item	Amount	Related to assets			Related to income			Whether received actually
		Deferred income	Book value of write-down assets	Deferred income	Other income	Non-operating income	Write-down cost expenses	
I. Government subsidies related to income								
Support fund	83,426,592.80	—	—	—	53,426,592.80	30,000,000.00	—	Yes
Tax rebate for software	56,782,742.21	—	—	—	56,782,742.21	—	—	Yes
Land tax return	49,848,202.23	—	—	—	49,848,202.23	—	—	Yes
Rewards and subsidies	8,829,600.00	—	—	—	8,829,600.00	—	—	Yes
Subsidies for L/C export	2,817,636.00	—	—	—	2,817,636.00	—	—	Yes
Subsidies for posts	2,038,431.45	—	—	—	2,038,431.45	—	—	Yes
Other government subsidies related to income	2,229,742.37	—	—	—	2,053,742.37	176,000.00	—	Yes
II. Government Subsidies related to assets								
R & D of double HDR OLED smart television and industrialization	13,300,000.00	13,300,000.00	—	—	—	—	—	Yes

Item	Amount	Related to assets		Related to income			Whether received actually
		Deferred income	Book value of write-down assets	Deferred income	Other income	Non-operating income	
Post rewards and subsidies for technical transformation of industrial enterprises in 2016	5,468,400.00	5,468,400.00	—	—	—	—	Yes
Investment items located in the weak sector of Shenzhen industrial link in 2017	4,500,000.00	4,500,000.00	—	—	—	—	Yes
Project of display terminal smart plant with new pattern based on NB-IOT	4,095,000.00	4,095,000.00	—	—	—	—	Yes
Provincial major special projects in 2017	2,400,000.00	2,400,000.00	—	—	—	—	Yes
Project fund to support the R & D and industrialization of next generation internet intelligent terminal system	2,000,000.00	2,000,000.00	—	—	—	—	Yes

Item	Amount	Related to assets		Related to income			Whether received actually
		Deferred income	Book value of write-down assets	Deferred income	Other income	Non-operating income	
Provincial fiscal subsidies for R & D of Guangdong enterprises in 2016	2,292,200.00	2,292,200.00	—	—	—	—	Yes
Other government subsidies related to assets	7,120,550.00	7,120,550.00	—	—	—	—	Yes
Total	247,149,097.06	41,176,150.00	—	—	175,796,947.06	30,176,000.00	—

2. Government Subsidies Recorded into the Current Gains and Losses

Item	Related to assets/income	Recorded into other income	Recorded into non-operating income	Write-down cost expenses
Support fund	Related to income	53,426,592.80	30,000,000.00	—
Tax rebate for software	Related to income	56,782,742.21	—	—
Rewards and subsidies	Related to income	49,848,202.23	—	—
Transfer of deferred income	Related to assets/income	29,182,496.49	—	—
Land tax return	Related to income	8,829,600.00	—	—
Subsidies for L/C export	Related to income	2,817,636.00	—	—
Subsidies for posts	Related to income	2,038,431.45	—	—
Others	Related to income	2,053,742.37	176,000.00	—
Total		204,979,443.55	30,176,000.00	—

3. Government Subsidies Returned in the Reporting Period

No such case in the Reporting Period.

37. Deferred Income

Item	Opening balance	Increase	Decrease	Other decrease	Closing balance	Formation reasons
Government subsidies	130,571,125.42	41,176,150.00	29,182,496.49	12,514,867.06	130,049,911.87	Related to assets
Total	130,571,125.42	41,176,150.00	29,182,496.49	12,514,867.06	130,049,911.87	—

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

Of which, items involved in government subsidies:

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Smart TV industrial chain of Konka Group Co., Ltd	22,470,000.00	—	—	2,621,500.00	—	—	19,848,500.00	Related to assets
R & D of double HDR OLED smart television and industrialization	—	13,300,000.00	—	—	—	—	13,300,000.00	Related to assets
Research, production and industrialization intelligent terminal system of next-generation internet	7,776,925.55	2,000,000.00	—	2,015,080.89	—	—	7,761,844.66	Related to assets
AVS/DRA terminal and matched core chip R & D	5,620,000.00	—	—	—	—	—	5,620,000.00	Related to assets
Research, development and industrialization of new smart TV of man-machine interaction	5,256,893.21	—	—	—	—	—	5,256,893.21	Related to assets
Laboratory project of next-generation Konka multimedia terminal technology	5,000,000.00	—	—	499,999.98	—	—	4,500,000.02	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

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Project of display terminal smart plant with new pattern based on NB-IOT	—	4,095,000.00	—	273,000.00	—	—	3,822,000.00	Related to assets
Konka Smart Home Project of Constructing Cloud Smart Control Platform	3,620,000.00	—	—	—	—	—	3,620,000.00	Related to assets
Post rewards and subsidies for technical transformation of industrial enterprises in 2016	—	5,468,400.00	—	2,187,360.00	—	—	3,281,040.00	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
R & D and industrialization of new application service system of mobile smart terminal	4,000,000.00	—	—	1,190,766.56	—	—	2,809,233.44	Related to assets
Industrialization of mobile internet and 4 th generation mobile communication industry	4,000,000.00	—	—	1,245,132.55	—	—	2,754,867.45	Related to assets

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Research, development and industrialization of digital products of synergetic interconnection	2,600,000.00	—	—	—	—	—	2,600,000.00	Related to assets
R & D of key technologies of information safety system for mobile smart terminal	2,400,000.00	—	—	—	—	—	2,400,000.00	Related to assets
Special funds of provincial strategic emerging industry of Dongguan Finance Bureau	3,000,000.00	—	—	600,000.00	—	—	2,400,000.00	Related to assets
Provincial major special projects in 2017	—	2,400,000.00	—	40,000.00	—	—	2,360,000.00	Related to assets
Comprehensive integration and innovation project of lean manufacturing implementation system	2,100,000.00	—	—	—	—	—	2,100,000.00	Related to assets
Design of Curved TV and the achievement transformation	—	1,960,000.00	—	—	—	—	1,960,000.00	Related to assets
Embedded OS development and terminal system development for TV application	2,470,000.00	—	—	344,369.98	—	174,200.00	1,951,430.02	Related to assets

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Whole machine integration of module	2,175,000.00	—	—	300,000.00	—	—	1,875,000.00	Related to assets
Research, development and industrialization of Major technology of LED backlight FPTV	2,750,000.09	—	—	999,999.96	—	—	1,750,000.13	Related to assets
Special fund of 2010-2012 industrial technology	2,100,000.00	—	—	420,000.00	—	—	1,680,000.00	Related to assets
Research, development and industrialization project of new two-channel 3D smart TV	1,996,166.67	—	—	405,999.96	—	—	1,590,166.71	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
R & D of UST Laser Projection Smart TV	1,500,000.00	—	—	—	—	—	1,500,000.00	Related to assets
Real-time Synthesis and Pilot of True 3D Video with Continuous Viewpoint	1,170,000.00	250,000.00	—	—	—	—	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

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Provincial fiscal subsidies for R & D of Guangdong enterprises in 2016	—	2,292,200.00	—	916,880.02	—	—	1,375,319.98	Related to assets
R & D and industrialization of operation system for exploiting users based on big data	—	1,320,000.00	—	—	—	—	1,320,000.00	Related to assets
R & D and engineering of 3D TV Terminal	1,300,000.00	—	—	—	—	—	1,300,000.00	Related to assets
Special fund for industrial structural adjustment	1,400,000.00	—	—	200,000.12	—	—	1,199,999.88	Related to assets
Post rewards and subsidies received for technical transformation of industrial enterprises in 2016	—	1,833,700.00	—	733,480.00	—	—	1,100,220.00	Related to assets
Development subsidies for tourist resort in 2014	1,110,000.00	—	—	15,416.65	—	—	1,094,583.35	Related to assets
Smart TV and system supporting platform of three networks combination	1,466,666.72	—	—	399,999.96	—	—	1,066,666.76	Related to assets
Satellite Receiving Facility based on safe and reliable chips	1,000,000.00	—	—	—	—	—	1,000,000.00	Related to assets

Item	Opening balance	Increased	Decreased				Closing balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Write-down cost expenses	Other decrease		
Others	32,907,752.07	1,756,850.00	—	11,721,568.27	—	12,340,282.58	10,602,751.22	Related to assets
Subtotal	127,089,404.31	41,176,150.00	—	27,130,554.90	—	12,514,482.58	128,620,516.83	
Others	3,481,721.11	—	—	2,051,941.59	—	384.48	1,429,395.04	Related to income
Subtotal	3,481,721.11	—	—	2,051,941.59	—	384.48	1,429,395.04	
Total	130,571,125.42	41,176,150.00	—	29,182,496.49	—	12,514,867.06	130,049,911.87	

38. Share Capital

Item	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	2,407,945,408.00	—	—	—	—	—	2,407,945,408.00

39. Capital Reserves

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	7,393,378.55	—	—	7,393,378.55
Other capital reserves	72,329,713.49	60,876,002.56	35,866,852.30	97,338,863.75
Total	79,723,092.04	60,876,002.56	35,866,852.30	104,732,242.30

Note: The changes in other owners' equity excluding the net gains and losses of Guangdong Chutian Dragon Smart Card Co., Ltd., Shenzhen Yaode Technology Co., Ltd. and Shenzhen Konka Precision Mould Manufacturing Co., Ltd. caused the increase in other capital reserves of RMB53,525,198.18. The introduction of small shareholders by Kaikai Shijie caused the the Company's decrease in shareholding proportion and the increase in other capital reserves of RMB7,350,804.38. The disposal of some stock of Kunshan Konka caused the decrease in other capital reserves of RMB7,650,000.00. The disposal of some stock of E3info caused the decrease in other capital reserves of RMB1,508,471.60. The Company's shareholding proportion in Enraytek Optoelectronics Co., Ltd. decreased to less than 20.00% due to the investment increase by other shareholders of Enraytek, which caused the Company would no longer delegate directors and lost significant influence on Enraytek. And the reclassification of it as available-for-sale financial assets caused the decrease in other capital reserves of RMB26,708,380.70.

40. Other Comprehensive Income

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
I. Other comprehensive income cannot be reclassified into profits and losses in future	—	—	—	—	—	—	—
II. Other comprehensive reclassified into profits or losses	-6,932,104.65	8,320,694.09	—	-2,136,856.25	10,629,563.60	-172,013.26	3,697,458.95
Of which: other comprehensive income as per	—	-3,138,048.04	—	—	-3,138,048.04	—	-3,138,048.04

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
equity method recognized into profit and loss in future							
Profits or losses of change in fair value of available-for-sale financial assets	6,410,568.76	-8,516,082.93	—	-2,136,856.25	-6,379,226.68	—	31,342.08
Converted difference of the foreign currency financial statement	-13,342,673.41	19,974,825.06	—	—	20,146,838.32	-172,013.26	6,804,164.91
Total	-6,932,104.65	8,320,694.09	—	-2,136,856.25	10,629,563.60	-172,013.26	3,697,458.95

41. Surplus Reserves

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	593,846,200.71	369,736,408.51	—	963,582,609.22
Discretionary surplus reserves	254,062,265.57	—	—	254,062,265.57
Total	847,908,466.28	369,736,408.51	—	1,217,644,874.79

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

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

42. Retained Profits

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	-427,163,254.63	-522,836,282.66
Total opening balance of retained profits before adjustments (increase+, decrease -)	—	—
Opening balance of retained profits after adjustments	-427,163,254.63	-522,836,282.66
Add: Net profit attributable to owners of the Company	5,057,025,155.71	95,673,028.03
Less: Withdrawal of statutory surplus reserves	369,736,408.51	—
Withdrawal of discretionary surplus reserves	—	—
Dividend of common stock payable	—	—
Dividend of common stock transfer into share capital	—	—
Others	—	—
Closing retained profits	4,260,125,492.57	-427,163,254.63

Notes: Others refer to the excessive losses undertaken for non-wholly-owned subsidiaries which had been liquidated.

43. Revenue and Cost of Sales

(1) Revenue and Cost of Sales

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	29,801,098,730.20	26,643,986,715.11	17,167,313,167.21	14,622,628,859.55
Other operations	1,426,664,519.51	1,144,998,564.69	3,132,034,969.00	2,895,701,483.44
Total	31,227,763,249.71	27,788,985,279.80	20,299,348,136.21	17,518,330,342.99

(2) Main Operations (Classified by product)

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	11,994,950,476.66	10,062,760,446.56	12,478,427,986.35	10,729,196,625.12
Mobile phone business	918,711,012.38	827,228,372.16	970,287,086.42	888,167,026.43
Consumer appliances business	1,737,464,511.08	1,404,308,959.94	1,701,770,760.58	1,354,850,701.01
Supply chain trade business	13,652,512,654.75	13,501,073,391.55	—	—
Others	1,497,460,075.33	848,615,544.90	2,016,827,333.86	1,650,414,506.99
Total	29,801,098,730.20	26,643,986,715.11	17,167,313,167.21	14,622,628,859.55

Notes: Since this year, the Company began to take the trade service as one of main operations. And the previous trade service was listed under other operations.

(3) Main Operations (Classified by area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	14,605,075,686.89	12,525,699,043.61	11,150,662,775.63	8,997,456,385.97
Overseas sales	15,196,023,043.31	14,118,287,671.50	6,016,650,391.58	5,625,172,473.58
Total	29,801,098,730.20	26,643,986,715.11	17,167,313,167.21	14,622,628,859.55

(4) Other Operations (Classified by product)

Product name	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Supply chain trade business	—	—	2,317,805,158.77	2,300,635,459.09
Sale of materials	655,914,026.56	685,360,932.34	245,776,424.97	267,917,282.75

Product name	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Maintenance cost	8,173,452.85	5,530,168.79	23,903,702.37	29,712,928.59
Sale of waste	11,089,872.64	2,561,519.32	11,975,912.02	3,942,319.30
Housing lease	74,440,747.48	6,447,669.25	81,613,940.77	11,391,408.60
Others	677,046,419.98	445,098,274.99	450,959,830.10	282,102,085.11
Total	1,426,664,519.51	1,144,998,564.69	3,132,034,969.00	2,895,701,483.44

(5) The Revenue of Sales from the Top Five Customers

Period	Total business revenue of the top five customers	Proportion of total business revenue (%)
Y 2017	7,077,286,124.31	22.66
Y 2016	4,731,230,318.90	23.31

44. Business Tax and Surcharges

Item	Reporting Period	Same period of last year
Land VAT	123,382,509.30	17,327,476.12
Urban maintenance and construction tax	22,176,591.33	31,636,994.52
Stamp duty	15,520,219.86	8,899,110.14
Property tax	15,088,906.82	8,478,117.89
Land use tax	9,959,196.22	7,603,617.22
Education surcharge	10,051,601.65	13,907,406.51
Local education surcharge	6,807,461.39	9,437,113.58
Business tax	2,295,449.95	14,137,366.07
Water resources fund	548,589.88	1,869.24
Vehicle and vessels usage tax	341,052.18	5,760.00
Others	2,665,155.03	532,649.67
Total	208,836,733.61	111,967,480.96

Notes: refer to Note V. Taxes for details of the measurement standards of business tax and surcharges.

45. Sales Expenses

Item	Reporting Period	Same period of last year
Salary	670,929,455.10	642,050,865.73
Promotional activities	373,118,418.23	456,194,224.02
Warranty fee Logistic Fee	321,989,098.63	329,602,119.20
Warranty fee	166,475,580.70	247,860,015.44
Advertising expense	219,633,787.72	215,372,746.88
Social security charges	103,711,438.83	102,518,097.89
Taxes and fund	67,614,333.51	79,027,665.46
Business travel charges	33,971,957.80	35,131,539.08
Rental charges	23,122,212.30	22,298,840.47
Employee welfare	16,528,932.62	18,302,420.37
Other	144,898,342.67	137,639,751.43
Total	2,141,993,558.11	2,285,998,285.97

46. Administration Expenses

Item	Reporting Period	Same period of last year
R&D expenses	329,676,982.50	191,650,648.39
Salary	196,593,346.39	184,200,380.77
Depreciation charge	39,733,413.81	31,293,982.01
Consulting fees	25,807,304.97	13,256,107.22
Social security charges	20,607,523.97	18,099,818.89
Business entertainment expense	18,845,381.77	16,727,226.74
Patent fee	13,634,367.93	21,135,641.62
Business travel charges	12,847,093.80	11,585,714.21
Employee welfare	10,398,246.45	10,960,120.57
Water & electricity fees	8,758,356.31	9,814,237.66
Labor-union expenditure	4,827,139.40	7,652,400.13
Housing subsidies	4,527,598.77	3,478,718.64
Other	91,456,924.39	87,724,118.80
Total	777,713,680.46	607,579,115.65

47. Financial Expenses

Item	Reporting Period	Same period of last year
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Item	Reporting Period	Same period of last year
Interest expenses	352,438,125.53	198,330,557.12
Less: Interest income	62,735,102.89	55,199,760.75
Exchange gains and losses	33,585,873.68	3,377,513.83
Other	17,629,654.29	8,256,235.92
Total	340,918,550.61	154,764,546.12

48. Asset Impairment Loss

Item	Reporting Period	Same period of last year
Bad debt loss	-12,753,051.08	29,795,552.59
Inventory falling price loss	164,992,959.69	153,770,820.62
Impairment losses of available-for-sale financial assets	5,750,000.00	—
Fixed assets impairment losses	1,713,814.69	3,210,474.17
Total	159,703,723.30	186,776,847.38

49. Gains on the Changes in the Fair Value

Source	Reporting Period	Last period
Financial assets measured by fair value and the changes be included in the current profits and losses	-39,598,044.59	5,904,430.92
Of which, gains on the changes in the fair value of derivative financial instruments	-39,598,044.59	5,904,430.92
Tradable financial assets	20,521,800.00	-20,521,800.00
Financial liabilities measured by fair value and the changes be included in the current profits and losses	-47,145,207.37	
Of which, gains on the changes in the fair value of derivative financial instruments	-47,145,207.37	
Total	-66,221,451.96	-14,617,369.08

50. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	3,953,094.99	12,738,812.54

Item	Reporting Period	Same period of last year
Investment income received from disposal of long-term equity investment	6,419,583,589.12	21,145,788.55
Investment income received from holding of financial assets measured at fair value and the changes recorded into the current gains and losses	248,207.55	—
Investment income received from disposal of financial assets measured at fair value and the changes recorded into the current gains and losses	-23,444,831.75	25,704,013.09
Investment income received from holding of available-for-sale financial assets	4,310,000.00	2,136,847.06
Investment income received from disposal of available-for-sale financial assets	25,486,800.02	7,035,083.79
Income from purchase of financial products and entrust loans	70,070,846.08	71,556,841.08
Income arising from remeasurement of residual equity at fair value after losing the controlling rights	53,847,856.66	1,824,788.16
Financial assets transferred from equity investment measured by equity method	33,792,795.21	206,303,753.38
Total	6,587,848,357.88	348,445,927.65

51. Return on Disposal of Assets

Item	Reporting Period	Same period of last year	Amount recorded into the current non-recurring gains and losses
Return on disposal of fixed assets	22,576,235.00	—	22,576,235.00
Return on disposal of intangible assets	33,369,166.39	—	33,369,166.39
Total	55,945,401.39	—	55,945,401.39

52. Other Income

Item	Reporting period	Same period of last year	Amount recorded into the current non-recurring gains and losses
Tax rebates of software	56,782,742.21	—	—
Rewards and subsidies	53,426,592.80	—	53,426,592.80
Support fund	49,848,202.23	—	49,848,202.23
Transferred from deferred revenues	29,182,496.49	—	29,182,496.49
Land tax return	8,829,600.00	—	8,829,600.00
Subsidy for L/C export	2,817,636.00	—	2,817,636.00

Item	Reporting period	Same period of last year	Amount recorded into the current non-recurring gains and losses
Subsidy for posts	2,038,431.45	—	2,038,431.45
Other	2,053,742.37	—	2,053,742.37
Total	204,979,443.55	—	204,979,443.55

53. Non-operating Gains

Item	Reporting period	Same period of last year	Amount recorded into the current non-recurring gains and losses
Government subsidies unrelated to the normal operation of the Company	30,176,000.00	234,802,344.00	30,176,000.00
Gains on debt restructuring	41,017,674.51	—	41,017,674.51
Penalty income	2,801,304.04	5,274,775.72	4,378,369.42
Compensation income	2,026,151.04	10,884,825.38	449,085.66
Gains on the damage and scrapping of non-current assets	90,088.16	5,205,974.43	90,088.16
Other	6,721,446.01	14,660,503.81	6,721,446.01
Total	82,832,663.76	270,828,423.34	82,832,663.76

Of which, government subsidies recorded into current profits and losses

Item	Reporting Period	Same period of last year	Related to the assets/ income
Tax rebate for software	—	121,451,535.04	—
Support fund	—	40,577,764.60	—
Deferred revenues	—	23,758,573.37	—
Rewards and subsidies	30,000,000.00	13,421,731.12	Related to income
Special fund for smart home appliances	—	12,322,500.00	—
Return of land tax	—	9,164,300.00	—
Subsidies for posts	—	4,557,740.52	—
Subsidies for L/C export	—	2,243,284.00	—

Item	Reporting Period	Same period of last year	Related to the assets/ income
Financial discount	—	520,000.00	—
Other	176,000.00	6,784,915.35	Related to income
Total	30,176,000.00	234,802,344.00	

54. Non-operating Expenses

Item	Reporting Period	Same period of last year	Amount recorded into the current non-recurring gains and losses
Losses on damage and abandonment of non-current assets	5,408,316.93	2,967,838.13	5,408,316.93
Compensation expenses	5,757,816.49	2,307,863.05	5,757,816.49
External donation expenses	437,976.34	910,036.49	437,976.34
Other	4,916,922.92	4,667,903.87	4,916,922.92
Total	16,521,032.68	10,853,641.54	16,521,032.68

55. Income Tax Expense

(1) Lists of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	1,181,682,531.53	79,426,714.19
Deferred income tax expense	389,958,474.25	-143,867,214.76
Total	1,571,641,005.78	-64,440,500.57

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

Item	Reporting Period
Total profits	6,658,475,105.76
Current income tax expense accounted by statutory/suitable tax rate	1,664,618,776.44
Influence of different tax rate suitable to subsidiary	-32,606,001.46
Influence of income tax before adjustment	-4,575,463.04
Influence of non taxable income	-44,568,718.27
Influence of not deductible costs, expenses and losses	13,450,964.31
Influence of deductible losses of deferred income tax assets	-21,830,451.29

derecognized used in previous period	
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	13,033,416.01
Changes of the balance of deferred income tax assets/ liabilities in previous period due to adjustment of tax rate	---
Influence of plus deducting costs	-15,881,516.92
Income tax expense	1,571,641,005.78

56. Other Comprehensive Income

Refer to Note VI-40 for details.

57. Cash Flow Statement

(1) Other Cash Received Relevant to Operating Activities

Item	Reporting Period	Same period of last year
Factoring accounts received	6,151,752,072.71	155,169,679.92
Intercourse funds	2,535,878,629.20	155,169,679.92
Income from government subsidy	205,972,947.06	89,592,235.59
Bargain money and deposit	59,127,499.85	56,272,190.17
Interest income from bank deposits	68,495,305.71	52,885,730.88
Income from waste	1,067,599.66	13,355,316.08
Repayment of individual borrowing	9,724,120.10	6,084,773.95
Compensation	30,158,139.90	3,726,746.63
Temporary received repair fund	7,053,099.89	3,472,963.01
Income from fine and penalty	4,378,369.42	583,683.33
Other	116,132,534.48	55,017,013.60
Total	9,189,740,317.98	436,160,333.16

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

② Of which, the recovered land transferring fees paid on the behalf of others were of RMB1,540,000,000.00.

(2) Other Cash Paid Relevant to Operating Activities

Item	Reporting Period	Same period of last year
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Item	Reporting Period	Same period of last year
The commercial factoring payment (Note)	8,852,860,166.99	
Expense for cash payment	1,167,232,783.76	1,005,121,650.16
Payment made on behalf	27,188,407.90	35,082,398.56
Payment for pledges, guarantee and repair	123,627,145.04	122,285,418.21
Employee reserve fund	19,067,788.75	23,151,880.41
Expense for bank handling charges	18,648,034.00	9,389,229.30
Donation expense	437,976.34	910,036.49
Default expense	119,593.48	124,386.36
Factoring accounts paid	42,422,836.03	38,601,430.52
Other expense	10,251,604,732.29	1,234,666,430.01
Total	10,251,604,732.29	1,234,666,430.01

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

(3) Other Cash Received Relevant to Investment Activities

Item	Reporting Period	Same period of last year
Received financial product	1,620,800,000.00	9,632,843,700.00
Share transfer	220,507,387.99	200,839,640.31
Received entrust loans	---	50,000,000.00
Other	6,173,387.62	---
Total	1,847,480,775.61	9,883,683,340.31

(4) Other Cash Paid Relevant to Investment Activity

Item	Reporting Period	Same period of last year
Received financial product	2,872,800,000.00	9,429,843,700.00
Share transfer	---	201,150,384.41
Other	13,188,913.10	49,019,277.58
Total	2,885,988,913.10	9,680,013,361.99

(5) Other Cash Received Relevant to Financing Activities

Item	Reporting Period	Same period of last year
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Item	Reporting Period	Same period of last year
Government subsidies related to assets	41,176,150.00	12,808,000.00
Disposal of minority equity of the subsidiary	2,400,000.00	---
Payment of pledged RMB certificate of deposit at maturity	435,028,346.40	---
Total	478,604,496.40	12,808,000.00

(6) Other Cash Paid Relevant to Financing Activities

Item	Reporting Period	Same period of last year
Deposit as margin for pledge	22,664,753.77	441,980,432.33
Financing expense	598,314.20	1,317,451.84
Total	23,263,067.97	443,297,884.17

58. 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	5,086,834,099.98	92,175,358.08
Add: Provision for impairment of assets	159,703,723.30	186,776,847.38
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	116,653,496.12	117,924,999.15
Amortization of intangible assets	12,612,406.59	12,726,261.68
Long-term unamortized expenses	58,694,071.62	52,744,816.14
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-55,945,401.39	-2,238,136.30
Loss on retirement of fixed assets (gains: negative)	5,318,228.77	—
Losses from variation of fair value	66,221,451.96	14,617,369.08
Financial cost (gains: negative)	352,438,125.53	91,957,039.21
Investment loss (gains: negative)	-6,587,848,357.88	-348,445,927.65
Decrease in deferred income tax assets (gains: negative)	393,791,889.56	-150,430,947.22
Increase in deferred income tax liabilities (“-” means decrease)	-4,396,482.52	15,694,786.86
Decrease in inventory (gains: negative)	-3,657,857,260.85	-1,548,058,651.37

Supplemental information	Reporting Period	Same period of last year
Decrease in accounts receivable from operating activities (gains: negative)	-3,952,004,354.33	-423,090,590.16
Increase in payables from operating activities (decrease: negative)	3,720,709,237.56	939,269,945.54
Other	-29,182,496.49	-23,758,957.85
Net cash flows generated from operating activities	-4,314,257,622.47	-972,135,787.43
2. Investing and financing activities that do not involving cash receipts and payment:		
Liabilities transfer into capital	—	—
Company bonus convertible due within one year	—	—
Fix assets under financing lease	—	—
3. Net increase in cash and cash equivalents		
Closing balance of cash	3,097,899,703.76	2,020,902,945.14
Less: Opening balance of cash	2,020,902,945.14	1,488,154,851.35
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	1,076,996,758.62	532,748,093.79

(2) Net Cash Receive from Disposal of the Subsidiary

Item	Amount
Cash or cash equivalents received currently from the disposal of subsidiaries	
Of which: Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	6,980,000,000.00
Kunshan Konka Electronic Co., Ltd.	224,400,000.00
Indonesia Konka Electronics Co., Ltd.	—
Less: cash and cash equivalents held by subsidiaries on the date of losing controlling rights	—
Of which: Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	243,966,412.06
Kunshan Konka Electronic Co., Ltd.	55,484,153.42
Indonesia Konka Electronics Co., Ltd.	—
Net cash received from disposal of subsidiaries	6,904,949,434.52

(3) Cash and Cash Equivalents

Item	Closing balance	Opening balance
I. Cash	3,097,899,703.76	2,020,902,945.14
Including: Cash on hand	49,343.08	2,354.63
Bank deposit on demand	3,097,850,360.68	2,020,900,590.51
III. Closing balance of cash and cash equivalents	3,097,899,703.76	2,020,902,945.14

Notes: the cash and cash equivalents exclude the restricted cash and cash equivalents the Company and the subsidiaries of the Group used.

59. The Assets with the Ownership or Use Right Restricted

Item	Closing book value	Restricted reason
Monetary funds	114,145,147.32	Margin deposit that cannot be drawn at any time
Notes receivable	1,938,808,940.10	①As of Dec. 31, 2017, the Company pledged the banker's acceptance with book value of RMB1,529,427,205.37 used in issuing the bank acceptance, letter of credit, letter of guarantee, trade financing and other comprehensive financing businesses. ②As of Dec. 31, 2017, the trade acceptance with book value of RMB409,381,734.73 was used by the Company for the bank discount with recourse and obtained a short-term loan of RMB401,412,156.04.
Fixed assets	5,807,674.32	Conservatory measures in litigation
Total	2,058,761,761.74	

60. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Item	Closing foreign currency balance	Exchange rate	Closing balance of converting to RMB
Monetary capital			
Including: USD	215,226,442.86	6.5342	1,406,332,622.94
EUR	83,839.59	7.8023	654,141.63
HKD	18,644,832.57	0.8359	15,585,215.55
GBP	1.32	8.7792	11.59

Item	Closing foreign currency balance	Exchange rate	Closing balance of converting to RMB
PLN	21,732.26	0.5358	11,644.14
CAD	6.96	5.2009	36.20
Accounts receivable			
Including: USD	225,058,783.20	6.5342	1,470,579,101.19
HKD	5,945,102.95	0.8359	4,969,511.56
AUD	49,764.00	5.0928	253,438.10
Accounts payable			
Including: USD	183,857,953.53	6.5342	1,201,364,639.96
Other accounts receivable			
Including: USD	32,570,569.60	6.5342	212,822,615.88
Other accounts payable			
Of which: HKD	28,232,776.35	0.8359	23,599,777.75
Short-term loans			
Including: USD	331,453,218.73	6.5342	2,165,781,621.83
HKD	86,065,100.00	0.8359	71,941,817.09
Interest payable			
Including: USD	44,195.93	6.5342	288,785.03
HKD	152,531.63	0.8359	127,501.19

VII. Changes of Merger scope

1. Single Disposal of Investment to Subsidiary that Losing Control

Name of the subsidiary	The equity disposal price	Equity disposal proportion (%)	Method of equity disposal	Time of losing control	Recognition basis of the time of losing control	The differences enjoyed of net assets share of the subsidiary in corresponding consolidated statements between the disposal of price and the disposal of investment
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	6,980,000,000.00	70.00	Transfer	2017-11-30	Transfer of equity, operation and financial controlling power	6,295,241,923.96
Kunshan Konka Electronic Co., Ltd.	224,400,000.00	51.00	Transfer	2017-9-26	Transfer of equity, operation and financial controlling power	64,049,117.66

(Continued)

Name of the subsidiary	Residual equity proportion on the date of losing control (%)	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Profits or losses of residual equity recalculated in line with fair value	Recognition method and main assumption of fair value of residual equity on the date of losing control	Amount related to other comprehensive income transfer into investment profits or loss of original subsidiary equity investment
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	-	-	-	-	-	-
Kunshan Konka Electronic Co., Ltd.	49.00	161,412,612.44	215,260,469.10	53,847,856.66	Trading consideration and evaluation report	-

2. Other Reasons for the Changes in Combination Scope

(1) Konka Ventures Development (Shenzhen) Co., Ltd. was incorporated by the Company and Shenzhen Qianhai TONGGAM Technology Co., Ltd. on Oct. 26, 2017 with a registered capital of RMB 5 million, of which the Company contributed RMB 2.55 million (or 51.00%) in cash and Shenzhen Qianhai TONGGAM Technology Co., Ltd. contributed RMB 2.45 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Oct. 26, 2017.

(2) Shenzhen Konka Pengrun Technology & Industry Co., Ltd. was incorporated by the Company, Guizhuo Huajinrun Science and Technology Group Co., Ltd. and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 50 million, of which the Company contributed RMB 25.5 million (or 51.00%) in cash, Guizhuo Huajinrun Science and Technology Group Co., Ltd. contributed RMB 15 million (or 30.00%) in cash, and Shenzhen Henglongtong Electronic Science and Technology Co., Ltd. contributed RMB 9.5 million (or 19.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Sep. 15, 2017.

(3) Shenzhen Konka Unifortune Supply Chain Management Co., Ltd. was incorporated by the Company and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. on Sep. 15, 2017 with a registered capital of RMB 30 million, of which the Company contributed RMB 15.3 million (or 51.00%) in cash, and Shenzhen UNIFORTUNE Supply Chain Management Co., Ltd. contributed RMB 14.7 million (or 49.00%) in cash. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Sep.15, 2017.

(4) Shenzhen Konka Investment Holding Co., Ltd. was incorporated by the Company in Shenzhen on Mar. 6, 2017 with a registered capital of RMB 40 million, which will all be paid by the Company. As of the balance sheet date, the Company has not yet actually made the payment. For the Company has control over this new subsidiary, it has been included into the Company's consolidation scope since Mar. 6, 2017.

(5) Anhui Kangzhi Trade Co., Ltd. was incorporated in Chuzhou, Anhui Province on Mar. 8, 2017 by Anhui Konka Electronic Co., Ltd., a subsidiary of the Company, with a registered capital of RMB 5 million, which will all be paid by Anhui Konka Electronic Co., Ltd. As of the balance sheet date, Anhui Konka Electronic Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-sub-subsidiary, it has been included into the Company's consolidation scope since Mar. 8, 2017.

(6) Hainan Konka Material Technology Co., Ltd. was incorporated by Shenzhen Konka Household Appliances Co., Ltd. (a subsidiary of the Company) and Shenzhen Mushen Industrial Co., Ltd. on Jul. 10, 2017 with a registered capital of RMB 10 million, of which Shenzhen Konka Household Appliances Co., Ltd. will contribute RMB 5.1 million (or 51.00%) and Shenzhen Mushen Industrial Co., Ltd. will contribute RMB 4.9 million (or 49.00%). For the Company has control over this new sub-sub-subsidiary, it has been included into the Company's consolidation scope since Jul. 10, 2017. As of the balance sheet date, the contributions have not yet been actually paid.

(7) Tianjin Konka Leasing Co., Ltd. was incorporated in Tianjin on Nov. 30, 2017 by Beijing Konka Electronic Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 170 million, of which all will be paid by Beijing Konka Electronic Co., Ltd. As of the balance sheet date, Beijing Konka Electronic Co., Ltd. has not yet actually made the payment.

For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 30, 2017.

(8) Yantai Konka Healthcare Enterprise Service Co., Ltd. was incorporated in Yantai, Shandong Province on Nov. 24, 2017 by Konka Ventures Development (Shenzhen) Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Konka Ventures Development (Shenzhen) Co., Ltd. As of the balance sheet date, Konka Ventures Development (Shenzhen) Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

(9) Shenzhen Konka Capital Equity Investment Management Co., Ltd. was incorporated in Shenzhen on Nov. 24, 2017 by Shenzhen Konka Investment Holding Co., Ltd. (a subsidiary of the Company) with a registered capital of RMB 10 million, of which all will be paid by Shenzhen Konka Investment Holding Co., Ltd. As of the balance sheet date, Shenzhen Konka Investment Holding Co., Ltd. has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Nov. 24, 2017.

(10) Chain Kingdom (Shenzhen) Co., Ltd. was incorporated in Shenzhen on Jun. 9, 2017 by Chain Kingdom Co., Limited (a subsidiary of the Company) with a registered capital of RMB 5 million, of which all will be paid by Chain Kingdom Co., Limited. As of the balance sheet date, Chain Kingdom Co., Limited has not yet actually made the payment. For the Company has control over this new sub-subsidiary, it has been included into the Company's consolidation scope since Jun. 9, 2017.

(11) Anhui Konka Household Appliances Co., Ltd. (a subsidiary of the Company) has been cancelled for it has been absorbed by Anhui Konka Tongchuang Household Appliances Co., Ltd. (another subsidiary of the Company) on May 17, 2017.

(12) Indonesia Konka Electronics Co., Ltd., a subsidiary of the Company, was liquidated during 2017. As of the balance sheet date, Indonesia Konka Electronics Co., Ltd. has distributed its remaining assets but has not yet completed the cancellation procedure with the industrial and commerce administration.

VIII. Equity in Other Entities

1. Equity in Subsidiary

(1) The Structure of the Enterprise Group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Telecommunications Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Konka Household Appliances	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry, commerce	100.00	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Plastic Products Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	49.00	51.00	Set up or investment
Shenzhen Konka Life Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Investment holding	75.00	25.00	Set up or investment
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacturing industry	60.00	—	Set up or investment
Chongqing Konka Electronic Co., Ltd. ①	Chongqing	Chongqing	Manufacturing industry	—	40.00	Set up or investment
Anhui Konka Electronic Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	78.00	—	Set up or investment
Anhui Konka Appliance Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	—	100.00	Set up or investment
Dongguan Konka Electronic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Dongguan Konka Packing Materials Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	—	100.00	Set up or investment
Boluo Konka PCB Co., Ltd.	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry	—	100.00	Set up or investment
Boluo Konka Precision Technology Co., Ltd.	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry	—	100.00	Set up or investment
Hong Kong Konka Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	100.00	—	Set up or investment
Konka Household Appliances Investment & Development Co., Ltd.	Hong Kong, China	Hong Kong, China	Investment holding	—	100.00	Set up or investment
Konka Household Appliances International Trading Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	—	100.00	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Konka (Europe) Co., Ltd.	Frankfurt, Germany, Europe	Frankfurt, Germany, Europe	International Trading	100.00	—	Set up or investment
Konka Commercial Factoring (Shenzhen) Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Insurance agents (non-bank finance)	100.00	—	Set up or investment
Shenzhen Wankaida Science and Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Software development	100.00	—	Set up or investment
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Real estate	100.00	—	Set up or investment
Anhui Konka Tongchuang Household Appliances Co., Ltd.②	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	100.00	—	Set up or investment
Indonesia Konka Electronics Co., Ltd.	Indonesia	Indonesia	International Trading	—	51.00	Set up or investment
Shenzhen Shushida Logistics Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Logistics	100.00	—	Set up or investment
Beijing Konka Electronic Co., Ltd.	Beijing	Beijing	Sale of home appliance	100.00	—	Set up or investment
Shenzhen Konka E-display Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	60.00	—	Set up or investment
Shenzhen E-display Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	—	60.00	Set up or investment
Xiamen Dalong Trade Co., Ltd.	Xiamen, Fujian	Xiamen, Fujian	Commerce	—	69.23	Set up or investment
Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Advertisement	—	70.00	Set up or investment
Shenzhen Kangqiaojiacheng Property Investment Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Real estate	70.00	—	Set up or investment
Konka Smarttech Limited	Hong Kong, China	Hong Kong, China	International trading	—	61.00	Set up or investment
Anhui Kakai Shijie E-Commerce Co., Ltd	Chuzhou, Anhui	Chuzhou, Anhui	E-commerce	80.00	—	Set up or investment
Shenzhen Yipingfang Network Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Information service	100.00	—	Set up or investment
Shenzhen Konka Commercial Systems Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	81.00	—	Set up or investment
Shenzhen Konka Mobile Internet Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	51.00	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Chain Kingdom Co., Limited	Hong Kong	Hong Kong	International Trade	—	51.00	Set up or investment
Shenzhen Kangqiao Yilian Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	60.00	—	Set up or investment
Yilifang (Hainan) Technology Co., Ltd	Haikou, Hainan	Haikou, Hainan	Network platform development	60.00	—	Set up or investment
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Science and technology industry	100.00	—	Set up or investment
Konka Ventures Development (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Software and IT industry	51.00	—	Set up
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51.00	—	Set up
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51.00	—	Set up
Shenzhen Konka Investment Holding Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service	100.00	—	Set up
Anhui Kangzhi Trade Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Wholesale business	—	78.00	Set up
Hainan Konka Material Technology Co., Ltd.	Haikou, Hainan	Haikou, Hainan	Commercial service	—	51.00	Set up
Tianjin Konka Leasing Co., Ltd.	Tianjin pilot FTZ	Tianjin pilot FTZ	Leasing industry	—	100.00	Set up
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Commercial service	—	51.00	Set up
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service	—	100.00	Set up
Chain Kingdom (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Wholesale business	—	51.00	Set up

Notes: ①The Company holds 40.00% shares of Chongqing Qingjia Electronic Co., Ltd. that all senior managers of Chongqing Qingjia Electronic Co., Ltd. are appointed and dismissed by the Company. Among the directors, half of them or over half are dispatched directly or indirectly by the Company. Moreover, in Chongqing Qingjia, 70% to 80% of its products are sold to the Company and thus the Company has absolute influence and control over the production and operation of Chongqing Qingjia Electronic Co., Ltd., which is combined into

the consolidated financial statement.

②Anhui Tongchuang is a limited company jointly invested and established by the Company and Chuzhou Tongchuang Construction Investment Co., Ltd. (hereinafter referred to as Tongchuang Investment) with registration capital of RMB270 million. According to contract sign by two parties, Tongchuang Construction has the rights of transferring stock ownership three years after the establishment of Anhui Tongchuang Company. Meanwhile, the Company can repurchase the said stock ownership and contracted with Tongchuang Investment Company that the Company shall receive fixed investment gains at 2% of actual capital invested by the Group annually.

The Company was transferred the whole equity of Tongchuang Investment in RMB30 million in the Reporting Period. In addition, Tongchuang Investment agreed to give up the fixed investment gains at 2% of actual capital invested by the Group after the negotiation among the three parties.

(2) Significant Non-wholly-owned Subsidiary

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Anhui Konka Household Appliances Co., Ltd. (consolidating its subsidiary)	22.00	5,173,721.78	—	80,901,768.12
Chain Kingdom (Shenzhen) Co., Ltd. (consolidating its subsidiary)	49.00	9,182,036.52	—	13,909,638.21
Kaikai Shijie	49.00	651,106.04	672,569.18	27,888,742.76

(3) The Main Financial Information of Significant not Wholly Owned Subsidiary

Name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Household Appliances Co., Ltd.	1,743,305,524.22	234,515,077.28	1,977,820,601.50	1,589,905,412.55	13,198,499.65	1,603,103,912.20
Chain Kingdom (Shenzhen) Co., Ltd.	1,162,693,203.78	129,592.90	1,162,822,796.68	1,134,435,779.93	—	1,134,435,779.93
Kaikai Shijie	657,600,708.10	2,163,391.35	659,764,099.45	604,838,553.65	—	604,838,553.65

(Continued)

Name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Household Appliances Co., Ltd.	882,686,223.79	237,235,477.46	1,119,921,701.25	758,810,489.87	9,378,492.06	768,188,981.93
Chain Kingdom (Shenzhen) Co., Ltd.	309,960,189.87	—	309,960,189.87	298,943,521.93	—	298,943,521.93
Kaikai Shijie	415,460,985.44	1,976,121.55	417,437,106.99	391,209,614.58	—	391,209,614.58

Name	Reporting Period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow

Name	Reporting Period				Same period of last year			
Anhui Konka Household Appliances Co., Ltd. (consolidated)	4,991,235,459.14	22,983,969.98	22,983,969.98	389,981,063.27	6,179,232,216.41	64,421,804.56	64,421,804.56	153,271,169.35
Chain Kingdom (Shenzhen) Co., Ltd.	5,535,614,456.54	18,722,147.92	17,353,646.69	25,288,584.51	203,273,194.95	582,782.78	991,502.17	9,710,841.52
Kaikai Shijie	1,049,372,932.78	2,045,387.49	2,045,387.49	54,024,456.06	863,408,156.37	4,387,613.93	4,387,613.93	20,077,547.85

(4) No Significant Restrictions of Using the Enterprise's Group Assets and Paying off the Enterprise's Group Debt

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

2. Transactions Caused Changes of the Owners' Equities Share in Subsidiaries, but the Subsidiaries Are Still under Control

(1) Description of changes of Owners' equities share in subsidiaries

① Information on the fact that the subsidiary of the Company's subsidiary – Kaikai Shijie introduces other shareholders, resulting in a decline in the shareholding ratio without losing control

On Jul. 24, 2017, according to the capital increase agreement signed among the Company, Jiarong Investment (Shenzhen) Partnership (limited partnership), Shanghai Kaiyun Culture Communication Co., Ltd. and Shanghai Bund Investment Consulting Co., Ltd., the among of registered capitals of Open Horizon Company was increased to RMB 31,372,549.00 from RMB 20,000,000.00. The additional registered capitals were subscribed by Shanghai Kaiyun Culture Communication Co., Ltd. and Shanghai Bund Investment Consulting Co., Ltd. The company and Jiarong Investment (Shenzhen) Partnership (limited partnership) voluntarily relinquish the preemptive right to the corresponding new registered capital. After completing the capital increase, the Company held 51.00% of Open Horizon Company. The Company still has the controlling rights.

② Information on the fact that the Company disposes 40.00% shares of YILIFANG Company without losing control

The Company signed the equity transfer agreement with Shenzhen Yiyou Technology Co., Ltd. on May 25, 2017. The Company transferred 40% equity of YILIFANG Company to Shenzhen Yiyou Technology Co., Ltd. at the price of RMB 8 million. After completing the above transfer, the Company holds 60.00% of YILIFANG Company. The Company still has the controlling rights.

(2) The Transaction's Influence on the Equity of Minority Shareholders and the Owner's Equity Attributable to the Parent Company

Item	Kaikai Shijie	E2info
Disposal consideration (added investment)		
—Cash	24,012,409.44	8,000,000.00
—Fair value of non-cash assets	—	—

Item	Kaikai Shijie	E2info
Total of disposal consideration (added investment)	24,012,409.44	8,000,000.00
Less: net assets shares of subsidiaries accounted at the equity ratio disposed	16,661,605.06	9,508,471.60
Difference	7,350,804.38	-1,508,471.60
Of which: capital reserves adjusted	7,350,804.38	-1,508,471.60
Surplus reserves adjusted	—	—
Retained profits	—	—

3. Equity in Associated Enterprise

(1) Significant Associated Enterprise

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

Subsidiary of associated enterprise	Main operating	Registration	Nature of business	Holding percentage (%)	Accounting treatment of the
			communication and other electronic equipment		

(2) Main Financial Information of Significant Associated Enterprise

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

Item	Closing balance/Reporting Period				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
assets calculated according to proportion of shareholdings					
Adjusting events					
-Goodwill	—	—	109,570,069.72	413,461,970.35	8,433,857.82
-Unrealized internal sales gain and loss	—	—	—	—	—
-Other	—	—	—	—	—
Book value of equity investment to joint venture	79,729,560.91	99,562,391.48	210,279,132.55	617,214,571.50	205,706,932.86
Fair value of equity investment of joint venture with public offer	—	—	—	—	—
Operation revenue	510,907,923.27	437,458,462.41	782,641,588.11	927,468,144.67	1,843,565,739.98
Financial expense	11,748,541.28	6,320,383.30	23,563,857.52	8,182,245.66	5,261,591.15
Income tax expense	3,287,206.08	-2,377,582.97	6,679,871.51	12,858,203.25	-
Net profit	-846,400.27	15,492,439.99	39,929,305.04	91,253,269.69	-1,656,818.45

Item	Closing balance/Reporting Period				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Net profits of termination operation	—	—	—	—	—
Other comprehensive income	-2,440,477.18	—	—	—	—
Total comprehensive income	-3,286,877.45	15,492,439.99	39,929,305.04	91,253,269.69	-1,656,818.45
Dividend received from joint venture in Reporting Period	—	—	—	—	—

(Continued)

Item	Opening balance/ same period of last year				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Current assets	361,468,348.74	337,520,215.29	—	—	—
Non-current assets	356,832,999.34	223,021,820.71	—	—	—
Total assets	718,301,348.08	560,542,036.00	—	—	—
Current liabilities	254,144,707.10	323,883,050.63	—	—	—
Non-current liability	71,618,268.97	15,731,811.09	—	—	—

Item	Opening balance/ same period of last year				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Total liabilities	325,762,976.07	339,614,861.72	—	—	—
Minority interests	172,560,267.62	36,506,895.12	—	—	—
Equity attribute to the parent company	219,978,104.39	184,420,279.16	—	—	—
Portion of net assets calculated according to proportion of shareholdings	85,791,460.71	85,405,031.28	—	—	—
Adjusting events					
-Goodwill	—	—	—	—	—
-Unrealized internal sales gain and loss	—	—	—	—	—
-Other	—	—	—	—	—
Book value of equity investment to associated enterprises	85,791,460.71	85,405,031.28	—	—	—
Fair value of equity investment of joint venture with public offer	—	—	—	—	—
Operation revenue	474,548,859.80	424,417,240.90	—	—	—
Net profit	27,916,818.85	10,615,545.45	—	—	—
Net profits of termination	—	—	—	—	—

Item	Opening balance/ same period of last year				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
operation					
Other comprehensive income					
Total comprehensive income	27,916,818.85	10,615,545.45	—	—	—
Dividend received from joint venture in Reporting Period	—	—	—	—	—

(4) Summary Financial Information of Insignificant Joint Venture or Associated Enterprise

Item	Closing balance/ Reporting Period	Opening balance /last period
Associated enterprise:		
Total investment book value	107,494,754.44	80,410,173.90
The total of following items according to the shareholding proportions		
-- Net profits	-2,258,909.83	12,941,533.74
-- Other comprehensive income	-863,874.55	—
-- Total comprehensive income	-3,122,784.38	12,941,533.74

IX. The Risk Related Financial Instruments

The Company's main financial instruments include money funds, notes receivable, interest receivable, other receivables, available-for-sale financial assets, other current assets, short-term loans, other accounts payable, interest payable, long-term loans, 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 profits and Stockholders' equity. Because rarely

any risk variables change in isolation, and the correlation between variables for the eventual impact of the change of a risk variables will have a significant effect, thus, the aforesaid content was processing under the assumption of the change of each variable was conducted independently.

(I) Risk Management Objectives and Policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors. Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market Risk

(1) Foreign Exchange Risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. Foreign exchange risk refers to the risks that may lead to losses due to fluctuation in exchange rate. The foreign exchange risk borne by the Company is related to USD and HKD, except the procurement, sales and financing by US dollars for several subsidiaries such as the Company, Hong Kong Konka, Konka Household Appliances International Trading Co., Ltd., Chain Kingdom (Shenzhen) Co., Ltd. and Europe Konka which settled by USD for purchase and sale, the other main businesses of the Company and the subsidiaries were settled by RMB. Until 31 Dec. 2017, refer to Note. VI. Foreign Currency Monetary Items for details of foreign currency monetary items, and the foreign exchange risks produced by the assets and liabilities balance may affect the business performance of the Company.

The Company timely paid attention to the influence of change of the exchange rate to the Company's foreign exchange risk, which required the Group and others which conducted purchase and sale with settlement by foreign currency to purchase foreign currency long-term forward contract to lock the cost of purchase on forward date to reduce the risk exposure of foreign exchange.

Sensitivity Analysis to Foreign Exchange Risk

Assumption of sensitivity analysis to foreign exchange risk: All hedges of net investment in overseas operations and cash flow hedges are highly effective. On the basis of the above assumption, and with other variables unchanged, the pre-tax impact of reasonable changes in

exchange rates on the current profit or loss and shareholders' equity is as follows:

Item	Variation of exchange rate	Influence on shareholders' equity
USD	Up 1.00% against RMB	6,426,312.07
USD	Down 1.00% against RMB	-6,426,312.07

(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 Dec. 31, 2017, the long-term and short-term loans had a total balance of RMB7,094,472,037.35.

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

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

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

Item	Changes in interest rate	Influence on profits
Short-term loans and long-term loans	Up 1.00%	-70,944,720.37
Short-term loans and long-term loans	Down 1.00%	70,944,720.37

(3) Other price risk

The investment held by the Company classified as available-for-sale financial assets and tradable financial assets, the financial assets measured at fair value with the changes recorded into the current gains and losses, and the financial liabilities measured at fair value with

changes recorded into the current gains and losses shall be accounted at fair value on the balance sheet date. The management of the Company believed the market price risk facing those investment activities was acceptable. For details of equity investment in listed companies held by the Company, please refer to Note VI-11. Available-for-sale Financial Assets.

2. Credit risk

On 31 Dec. 2017, 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: book amount recognized in consolidated balance sheet. For financial instruments measured at fair value, the book value reflect its risk exposure, but not the biggest one, and the biggest risk exposure will change along with the change of future fair value.

In order the reduce the credit risk, the Company establish a group response for recognizing line of credit, conducting credit approval and other monitor procedures to ensure that the necessary measures were used to recycle expired claims. In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

The company's working capital was in bank with higher credit rating, so credit risk of working capital was low.

3. Liquidity Risk

When managing liquidity risk, the Company maintained the management's believe that supervising the sufficient cash and cash equivalents to meet the operating demand of the Company and reduce the influence of the fluctuation of cash flow. The management of the Company monitored the use of bank's loans and guaranteed the observance of the borrowing agreements.

The Company took the bank's loans as the main financing channel. The retained amount of loans of the Company by the end of Dec. 31, 2017 was presented in Note XIV. Other Significant Events-7 in detail.

(II) Offset between Financial Assets and Financial Liabilities

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

Item	Amount at period-end
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	Total confirmed financial assets (RMB'0,000)	Amount offset of confirmed financial liabilities (RMB'0,000)	Net financial assets listed in the balance sheet (RMB'0,000)
Off-set of trading borrowings and financial products	1,386,028.43	1,386,028.43	1,711.60
Off-set of trading borrowings and notes receivable	602,342.17	602,342.17	—

X. The Disclosure of the Fair Value

1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Item	Closing 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 calculated by fair value and changes recorded into current profits or losses	296,799.53	—	—	296,799.53
1. Trading financial assets	—	—	—	—
2. Purchase agreement of forward foreign exchange	296,799.53	—	—	296,799.53
(II) Available-for-sale financial assets	—	—	—	—
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	—	—	—	—
3. Other	—	—	—	—
Total assets of consistent fair value measurement	296,799.53	—	—	296,799.53
(III) Financial liabilities calculated by fair value and changes recorded into current gains and losses	47,482,470.50	—	—	47,482,470.50
2. Purchase agreement of forward foreign exchange	47,482,470.50	—	—	47,482,470.50
Total liabilities of consistent fair value measurement	47,482,470.50	—	—	47,482,470.50
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 Transaction

1. Information Related to the Parent Company

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

Note: the final control party 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 Enterprise for details. Our transactions with affiliated parties and the introductions of other joint ventures and associated enterprises with balance in these transactions in the earlier stage are as shown below:

Name of joint venture or associated enterprise	Relationship with us
Shenzhen Konka Information Network Co., Ltd.	associated enterprise
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	associated enterprise
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	associated enterprise
Beijing Konka Technology Co., Ltd.	associated enterprise
Shenzhen Zhongbing Konka Technology Co., Ltd.	associated enterprise
Shanghai Konka Green Lighting Technology Co., Ltd.	associated enterprise
Kunshan Konka Electronic Co., Ltd.	associated enterprise
Zhuhai Jinsu Plastic Co., Ltd.	associated enterprise
Shenzhen Refond Optoelectronic Co., Ltd.	former associated enterprise

4. Information on Other Related Parties of the Company

Name	Relationship
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Guoguang Eastern Network (Beijing) Co., Ltd.	Shareholder of the associated enterprise
Shenzhen Shangyongtong Investment Development Co., Ltd.	Minority shareholder of subsidiary
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Associated enterprise of the subsidiary
Changrong Media Co., Ltd.	Minority shareholder of subsidiary as the final controller
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Controlled by the 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 (Unit: Ten Thousand Yuan)

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 Manufacturing Co., Ltd. and its subsidiaries	Material purchase	284,465,554.74	205,326,801.93
Kunshan Konka Electronic Co., Ltd.	Purchase of materials and commodity	219,855,232.07	—
Shenzhen Konka Information Network Co., Ltd.	Commodity purchase	162,997,919.05	26,236,012.58
OCT Group and its subsidiaries	Purchase of materials and services	77,699,708.46	68,515,871.24
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Advertising agency	19,811,320.75	—
Zhuhai Jinsu Plastics Co., Ltd.	Material purchase	15,492,478.63	—
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Material purchase	4,137,056.47	7,106,561.18
ChainKingdom Co., Limited	Consultancy	3,784,772.66	1,839,168.52
Beijing Konka Technology Co., Ltd.	Commodity purchase	551,481.65	—
Guoguang Ruilian (Shenzhen) Network Technology Co., Ltd.	Commodity purchase	326,074.94	—
Shenzhen Refond Optoelectronics Co., Ltd.	Material purchase	—	127,562,591.69
Guoguang Eastern Network (Beijing) Co., Ltd.	Commodity purchase	—	62,535,296.91
Changrong Media Co., Ltd.	Advertising agency	—	775,587.00
Related party	Content	Reporting Period	Same period of last year

② Information of sales of goods and provision of labor service

Related party	Content	Reporting Period	Same period of last year
Kunshan Konka Electronic Co., Ltd.	Material sales	260,670,330.28	—
Shenzhen Konka Information Network Co., Ltd.	Sales of materials and providing service	61,695,634.89	11,057,874.12
OCT Group and its subsidiaries	Commodity sales, providing service	25,425,675.14	6,766,677.38
Shenzhen Konka Precision Mould Manufacturing Co., Ltd. and its subsidiaries	Providing service	18,956,689.52	19,820,351.90
Guoguang Eastern Network (Beijing) Co., Ltd.	Commodity sales	3,100,030.29	52,659,086.25
Shenzhen Zhongbing Technology Co., Ltd.	material sales, providing service	2,568,447.15	10,612,812.99
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Commodity sales	940,650.14	—
Anhui Konka Green Lighting Technology Co., Ltd.	Providing service	648,888.41	3,972,740.29
Beijing Konka Technology Co., Ltd.	Providing service	62,966.96	—
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Commodity sales,	20,150.77	6,331,604.53
Shenzhen Refond Optoelectronics Co., Ltd.	Purchase material	—	31,210,383.27
Changrong Media Co., Ltd.	Advertising fee	—	11,320,754.76

(2) Information of Related Lease

The Company was lessee:

Name of lessor	Category of leased assets	The lease fee confirmed in this year	The lease fee confirmed in last year
OCT Group and its subsidiaries	Commercial residential building and office building	601,969.48	1,133,189.55

(3) Inter-bank Lending of Capital of Related Parties

Related party	Lending amount	Starting date	Expiry date	Applicable rate
Borrowing				
OCT Group Co., Ltd.	1,600,000,000.00	2016-4-15	2017-11-29	3.10%~4.35%
OCT Group Co., Ltd.	900,000,000.00	2016-6-21	2017-11-29	3.18%~4.35%

Related party	Lending amount	Starting date	Expiry date	Applicable rate
OCT Group Co., Ltd.	900,000,000.00	2016-10-17	2017-11-30	3.06%~4.35%
OCT Group Co., Ltd.	300,000,000.00	2016-12-14	2017-11-30	4.75%
OCT Group Co., Ltd.	660,000,000.00	2017-9-12	2017-11-30	6.00%
OCT Group Co., Ltd.	1,540,000,000.00	2017-9-14	2017-11-28	6.00%

Note: The interest confirmed with OCT Group Co., Ltd. is RMB156,908,200.34.

(4) Related-party Guarantee

The Company was guarantee

Secured party	Currency	Amount guaranteed (RMB 10,000)	Actual amount (RMB 10,000)	Starting date	Expiry date	The guarantee completed?
Anhui Tongchuang International Trade Co., Ltd.	CNY	6,000.00	5,808.00	2017-10-24	2018-10-24	No
Anhui Tongchuang International Trade Co., Ltd.	CNY	2,000.00	—	2017-11-6	2018-11-6	No
Konka E-Display Co., Ltd.	CNY	2,000.00	540.67	2017-7-20	2018-7-20	No
Konka Factoring (Shenzhen) Co., Ltd.	CNY	50,000.00	20,938.17	2017-10-17	2018-10-16	No
Konka Factoring (Shenzhen) Co., Ltd.	CNY	20,000.00	20,000.00	2017-10-24	2018-9-27	No
Hong Kong Konka Co., Ltd.	USD	1,000.00	1,000.00	2017-4-24	2018-4-23	No
Hong Kong Konka Co., Ltd.	USD	2,000.00	2,000.00	2017-5-22	2018-5-18	No
Hong Kong Konka Co., Ltd.	USD	1,000.00	1,000.00	2017-6-12	2018-6-11	No
Hong Kong Konka Co., Ltd.	USD	1,100.00	1,100.00	2017-8-28	2018-8-27	No
Hong Kong Konka Co., Ltd.	USD	500.00	500.00	2017-9-27	2018-9-27	No
Hong Kong Konka Co., Ltd.	USD	3,500.00	3,500.00	2017-10-13	2018-10-13	No

The Company is the obligor

The guarantee	Currency	Amount guaranteed (RMB 10,000)	Starting date	Expiry date	Whether the guarantee completed
Wu Guoren and Xiao Yongsong (Note: ①)	USD	2,000.00	2017-8-21	2018-12-31	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	3,500.00	2016-11-11	2018-10-17	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	1,000.00	2017-3-6	2018-12-31	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	1,000.00	2017-4-24	2018-12-31	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	1,000.00	2017-5-11	2018-12-31	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	500.00	2017-6-21	2018-6-20	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	500.00	2017-7-3	2018-7-2	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	500.00	2017-7-24	2018-7-24	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	500.00	2017-8-9	2018-8-8	No
Wu Guoren and Xiao Yongsong (Note: ②)	USD	2,000.00	2017-9-6	2018-9-5	No
Wu Guoren and Xiao Yongsong (Note: ③)	USD	96.50	—	—	No
Shenzhen Konka Yi Capital Investment Partnership (Limited Partnership) (Note: ④)	RMB	480.00	2015-04-13	—	No
Hunan Vary Tech Packing Co., Ltd.(Note: ⑤)	RMB	2,000.00	2017-04-05	—	No

Note: ① The Company's subsidiary-Kangdian Trading provided a loan of USD20 million for Chain Kingdom (Shenzhen) Co., Ltd. The individual shareholders of Chain Kingdom (Shenzhen) Co., Ltd. Wu Guosong (holding 25% of shares) and Xiao Yongsong (holding 24% of shares) provided an equity pledge guarantee jointly taking a total shares of 49% they held as the pledge as well as the mortgage guarantee pledged by personal properties.

② The Company's subsidiary Hong Kong Konka provided a short-term loan of USD105 million with one-year period. The individual shareholders of Chain Kingdom Co., Ltd. Wu Guosong (holding 25% of shares) and Xiao Yongsong (holding 24% of shares) provided an equity pledge guarantee jointly taking a total shares of 49% they held as the pledge as well as the mortgage guarantee pledged by personal properties.

③ The individual shareholders of Chain Kingdom (Shenzhen) Co., Ltd. Wu Guosong (holding 25% of shares) and Xiao Yongsong (holding 24% of shares) provided a guarantee for the Company's prepayment of USD0.965 million.

④ Konka Group provided a credit guarantee of RMB20,000,000.00 for its controlling subsidiary- Konka E-display with the period from July 20, 2017 to July 20, 2018. The businesses covered the opening of L/C, bill acceptance and obtaining banks' financing loans, etc. The minority shareholder-Shenzhen Yi Capital Investment Partnership (Limited Partnership) provided a 40% of counter guarantee to the amount as well as the equity pledge guarantee taking the 49% of shares it held of Konka E-display as the pledge.

⑤ The Company provided an entrust loan of RMB20 million for the joint-stock company-Hunan Vary Tech Co., Ltd. Hunan Vary Tech Packing Co., Ltd. provided a joint and several guarantee for the principal and interests of the said entrust loan as well as the mortgage guarantee pledged by 4,650 shares of Hunan Vary Tech Co., Ltd. it held.

(5) Rewards for the Key Management Personnel

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	RMB12.924 million	RMB9.6322 million

6. Receivables and Payables of Related Parties

(1) Receivables

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
Kunshan Konka Electronic Co., Ltd.	340,827,332.77	6,816,546.66	—	—
Shenzhen Konka Information Network Co., Ltd.	50,237,204.89	1,586,224.62	22,708,250.40	456,890.30
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	13,685,968.41	614,448.23	21,434,916.08	850,210.83
OCT Group and its subsidiaries	12,597,677.70	398,014.48	1,078,291.30	23,917.35
Guoguang Eastern Network (Beijing) Co., Ltd.	889,327.11	17,786.54	61,566,084.52	1,231,321.69
Anhui Konka Green Lighting Technology Co., Ltd.	2,479.62	49.59	—	—
Shanghai Konka Green Lighting Technology Co., Ltd.	—	—	7,463,614.12	1,627,495.78

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Zhongbing Konka Technology Co., Ltd.	—	—	6,236,403.32	124,728.07
Shenzhen Refond Optoelectronics Co. Ltd.	—	—	16,006,373.88	320,127.48
Total	418,239,990.50	9,433,070.12	136,493,933.62	4,634,691.50
Notes receivable				
Kunshan Konka Electronic Co., Ltd.	20,000,000.00	—	3,273,998.29	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	657,263.10	—	—	—
Total	20,657,263.10	—	3,273,998.29	—
Other accounts receivable:				
OCT Group and its subsidiaries	20,335,596.53	8,752,805.29	20,562,436.22	9,605,110.85
Guoguang Eastern Network (Beijing) Co., Ltd.	5,600.00	112.00	—	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	4,448.00	2,224.00	4,448.00	889.60
Shenzhen Konka Information Network Co., Ltd.	—	—	17,940.73	358.81
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	—	—	22,260,000.00	445,200.00
Total	20,345,644.53	8,755,141.29	42,844,824.95	10,051,559.26

Notes: Chongqing Konka Automobile Electronics Co., Ltd. has withdrawn single bad-debt provisions in full amount, thus was listed as net amount.

(2) Payables

Item	Closing balance	Opening balance
Accounts payable:		
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	37,592,153.20	31,792,226.82
Shenzhen Konka Information Network Co., Ltd.	31,386,862.99	9,131,218.97
OCT Group and its subsidiaries	23,738,766.66	42,942,847.99
Kunshan Konka Electronic Co., Ltd.	17,018,441.87	—

Item	Closing balance	Opening balance
Shenzhen Shangyongtong Investment Development Co., Ltd.	9,543,100.00	9,543,100.00
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	1,686,317.71	682,275.95
Shenzhen Dekang Electronics Co., Ltd.	358,929.03	358,929.03
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	326,074.94	—
Zhuhai Jinsu Plastic Co., Ltd.	181,072.00	—
Guoguang Eastern Network (Beijing) Co., Ltd.	—	13,907,425.83
Shenzhen Refond Optoelectronic Co., Ltd.	—	27,963,779.92
Total	121,831,718.40	136,321,804.51
Notes payable:		
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	55,513,548.64	82,378,625.80
OCT Group and its subsidiaries	9,341,980.07	21,427,941.44
Kunshan Konka Electronic Co., Ltd.	2,348,210.23	—
Zhuhai Jinsu Plastics Co., Ltd.	1,000,000.00	1,000,000.00
Shenzhen Refond Optoelectronics Co. Ltd.	—	45,043,301.91
Changrong Media Co., Ltd.	—	275,291.47
Total	68,203,738.94	150,125,160.62
Advances received:		
OCT Group and its subsidiaries	15,416,818.63	16,149,510.73
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	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	—	23,468,903.76
Zhonglianda Co., Ltd.	—	232,667.70
Anhui Konka Green Lighting Technology Co., Ltd.	—	4,063.72
Total	22,722,234.65	39,855,145.91
Other accounts payable:		
Shenzhen Konka Information Network Co., Ltd.	2,369,781.35	9,021,630.77
Chongqing Konka Auto Electronics Co., Ltd.	1,070,875.91	—

Item	Closing balance	Opening balance
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	590,000.00	19,440.00
OCT Group and its subsidiaries	224,428.80	4,031,354.68
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	101,885.00	686,375.00
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	100,000.00	—
ChainKingdom Co., Limited	79,533.29	992,890.82
Kunshan Konka Electronic Co., Ltd.	10,000.00	—
Anhui Konka Green Lighting Technology Co., Ltd.	3,338.38	48,670.70
Shenzhen Refond Optoelectronics Co. Ltd.	—	807,135.00
Shenzhen Telen Science & Technology Co., Ltd.	—	10,000.00
Total	4,549,842.73	15,617,496.97
Interest payable:		
OCT Group and its subsidiaries	5,834,416.68	43,541.67
Total	5,834,416.68	43,541.67

XII. Commitments and Contingency

1. Significant Commitments

(1) Capital Commitment

Item	Closing balance	Opening balance
Commitments signed but hasn't been recognized in financial statements		
-- Commitment for constructing and purchasing long-term assets	—	—
- Contract with large amount	247,552,974.60	91,710,250.89
- Foreign investment commitments	—	—
Total	247,552,974.60	91,710,250.89

(2) Operating Lease Commitments

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

Item	Closing balance	Opening balance
------	-----------------	-----------------

Minimum lease payments of irrevocable operating lease		
1 year after balance date	19,362,845.58	20,712,196.63
2 year after balance date	10,257,149.32	10,195,499.08
3 year after balance date	4,199,375.82	5,192,714.87
Future years	2,570,971.55	1,434,105.28
Total	36,390,342.27	37,534,515.86

(3) Other Commitments

As of Dec. 31, 2017, the Company had no significant commitment to disclose.

2. Contingency

① On November 2015, the Company and its Subsidiary E-display signed the Intention Agreement of Share Transfer with Guangdong Sunwill Precising Plastic Co., Ltd. (hereinafter referred to as “Sunwill”), where the Company planned to transfer 60% equity of E-display held by the Company to Sunwill. According to the Agreement and listing announcement, Sunwill should raise the paddle, pay the deposit, and sign the formal agreement. If Sunwill breaks the agreement, it should compensate the Company for the losses (such as listing fees of second party, estimated income for listing, and etc). After signing the agreement, the Company did a series of preparatory work before the share transfer according to the agreement, including entrusting CPAs to audit, and Appraisal Company to evaluate. On January 2016, the Company put 60% equity of E-display held by the Company up for sale on Shanghai United Assets and Equity Exchange according to the agreement, but Sunwill didn't delist it when the listing expired. Then, the Company sent notice to Sunwill to urge it to delist, but Sunwill definitely replied to give up the delisting. The Company and E-display filed a law suit to People's Court of Nanshan District, Shenzhen for the default of Sunwill on May 2016.

According to the paper of civil judgment (2016) Yue 0305 Minchu No. 6241 of People's Court of Nanshan District, Shenzhen, Guangdong Province, the Intention Agreement of Share Transfer signed by the Company, E-display and Sunwill released on March 16, 2016; Sunwill compensated the Company for the direct losses of RMB150,880.00, and compensated E-display for the direct losses of RMB27,576.60, and other claims of the Company and E-display were rejected. After first-instance judgment, the Company was dissatisfied with the result and appealed to Intermediate People's Court of Shenzhen, Guangdong Province. According to the paper of civil judgment (2017) Yue 03 Minzhong No. 5299 of Intermediate People's Court of Shenzhen, Guangdong Province, the original conviction was upheld except the fourth civil judgment “other claims of the Company and

E-display were rejected” of civil judgment (2016) Yue 0305 Minchu No. 6241 of People’s Court of Nanshan District, Shenzhen on February 7, 2018, and Sunwill should compensate the Company for losses in acquirable interests RMB7.2 million.

② 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 September 28, 2017, Shenzhen GNG Co., Ltd filed a law suit 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.

③ 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 August 25, 2017. The Judgment was as follows: The defendants Heilongjiang Jinri Optoelectronics Technology Co., Ltd. and Jinyue Group Co., Ltd. should jointly pay the plaintiff-Mudanjiang Appliances a total of RMB3,656,910.82 in occupancy fees, rent, and interest. As of the issue date of this report, it has not yet been implemented completely.

There was a dispute among the Company’s subsidiary-Mudanjiang Appliances, Mudanjiang Wangjiangmian Restaurant Management Co., Ltd., Liu Lixia (the actual controller of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd.), Heilongjiang Jinri Optoelectronics Technology Co., Ltd., and Jinyue Group Co., Ltd over the compensation of RMB 4.2 million for the death and losses of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd. Mudanjiang Appliances believed that it should not be held liable for natural disasters, and the RMB4.2 million paid by Mudanjiang Appliances is the advance payment which should be regarded as the accounts paid on the behalf of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd. and Liu Lixia. As of the issue date of this report, the People's Court of Dongan District of Mudanjiang City, Heilongjiang Province had not made a judgment yet.

There was a dispute among the Company’s subsidiary- Mudanjiang Appliances, Zhang Zhiqiang (the plaintiff) and Jinyue Group Co., Ltd. over the loan of RMB6.5 million. The amount was actually generated from the intention acquisition by Jinyue Goup Co., Ltd. of stocks held by the Company and Mudanjiang State-owned Assets Investment Holdings Co.,

Ltd. due to staff relocation. The main judgments of the (2016) Hei 1004 Minchu No. 223 Civil Judgment issued by the People's Court of Aimin District, Mudajiang City, Helongjiang Province on November 29, 2017 were as follows: the Company and the Municipal State-owned Assets Investment Holding Co., Ltd. should pay the plaintiff-Zhang Zhiqiang RMB765,993.95 and the interest of RMB115,576.77; the subsidiary- Mudanjiang Appliances should assume joint and several liquidation liabilities for the above amount; and other claims of Zhang Zhiqiang were rejected. At present, the case is in the second instance, the court has not yet been opened.

(2) Possible Liabilities Formed for Providing Debt Guarantee for Other Institutions and Their Financial Impacts

① The company signed the guarantee contract (No. 17czA0017-a-XCYZBZD2017) with Chuzhou Branch of China Citic Bank on Oct. 24, 2017, in which the Company provided credit guarantee of RMB 60 million to Anhui Tongchuang International Trade Co., Ltd. from Oct. 24, 2017 to Oct. 24, 2018. 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 RMB58,080,000.00 by Dec. 31, 2017.

② The company signed the guarantee contract (No. 07301KB20178088) with Shenzhen Branch of Bank of Ningbo on Jul. 1, 2016, providing credit guarantee of RMB20 million to Konka Yishijie Co., Ltd. from Jul. 20, 2017 to Jul. 20, 2018. The credit line is mainly used to open and accept the letter of credit of Konka Yishijie Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has used RMB 5,406,651.68 by Dec. 31, 2017. The minority shareholder of Konka Yishijie Co., Ltd. -- Shenzhen Konka Yiziben Investment Partnership Co., Ltd. provides 40% of counter guarantee to the amount.

③ The Company signed *Financing Amount Agreement* (BC2017102300000749-1) and applied to Shenzhen Branch of Pudong Development Bank for comprehensive credit line of RMB500,000,000.00 on Nov. 14, 2017 used to help Konka Factoring to obtain the financing loan from the bank. The guarantee period is from Oct. 17, 2017 to Oct. 16, 2018. The amount has been used RMB209,381,734.73 by Dec. 31, 2017.

④ The Company signed *Guarantee Contract of Maximum Amount* (HXSfZLEBZ 20171023002001) and applied to Shenzhen Branch of Guangdong Huaxing Bank for comprehensive credit line of RMB200,000,000.00 on Oct. 23, 2017 used to help Konka Factoring to obtain the financing loan from the bank. The guarantee period is from Oct. 24, 2017 to Sep. 27, 2018. The amount has been used RMB200,000,000.00 by Dec. 31, 2017.

⑤ The Company applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD10,000,000.00 on April 24, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is April 24, 2017 to April 23, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD10,000,000.00 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

⑥ The Company applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD20,000,000.00 on May 22, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is May 22, 2017 to May 18, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD20,000,000.00 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

⑦ The Company applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD10,000,000.00 on June 12, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is June 12, 2017 to June 11, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD10,000,000.00 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

⑧ The Company applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD11,000,000.00 on Aug. 28, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is Aug. 28, 2017 to Aug. 27, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD11,000,000.0 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

⑨ The Company signed *Issuing Guarantee/SLC Agreement (No. 008SJTZEZ2017)* and applied to Shenzhen Branch of CMBC for issuing the letter of guarantee of USD5,000,000.00 on Sep. 25, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is Sep. 27, 2017 to Sep. 27, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD5,000,000.00 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

⑩ The Company signed *Issuing Guarantee/SLC Agreement (No. 008SJTZEZ2017)* and applied to Shenzhen Branch of CMBC for issuing the letter of guarantee of USD35,000,000.00 on Sep. 25, 2017 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is Aug. 28, 2017 to Aug. 27, 2018. Hong Kong Konka Co., Ltd. has obtained the loan of USD35,000,000.00 from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2017.

(3) Other Contingent Liabilities and Their Financial Impacts

As of Dec. 31, 2017, the Company had no significant contingencies to disclose.

XIII. Events after Balance Sheet Date

1. Profit Distribution

The 40th Meeting of the 8th Board of Directors was held by the Company on March 29, 2018, on which the Profit Distribution Plan in 2017 that distributed RMB390,087,156.10 of cash dividend was approved. The profit distribution plan should be submitted to the 2017 Annual Meeting of Shareholders for review and approval.

2. Listing Transfer of Qingsong Venture Investment Fund

On Feb. 11, 2018, the Company listed and transferred 6.00% shares of Shenzhen Qianhai Qingsong Venture Investment Fund held by Konka Factoring Business (Shenzhen) Co., Ltd. in China Beijing Equity Exchange. According to the rules of state-owned property right transaction and the result of bidding, the Company's wholly-owned subsidiary Konka Factoring Business (Shenzhen) Co., Ltd. signed *Property Right Transaction Contract* with Suzhou Anze Fuxing Venture Capital Center (limited partnership) and Gongqingcheng Xiaoyingtao Investment Management Partnership (limited partnership).

XIV. Other Significant Events

1. Our subsidiary Mudanjiang Konka Co., Ltd. is under liquidation.
2. Our subsidiary Chongqing Qingjia Electronic Co., Ltd. is under liquidation.
3. In order to promote the renovation and intelligent manufacturing upgrading of Dongguan Konka, the Company held the 34th Meeting of the 8th Board of Directors to discuss this issue and finally decided to set up a wholly-owned subsidiary with RMB0.25 billion of registered capital in Dongguan by itself or its wholly-owned subsidiary.
4. According to the Company's development strategy, Konka Group determined to invest in RMB 1 billion to set up Konka Multimedia Co., Ltd. (Tentative name) as the operating entity of multimedia business in Konka Group (except for the manufacturing business) on the 37th session meeting of the 8th Board of Directors; Konka Group Multimedia Co., Ltd. established the domestic sales company and foreign sales company for the internal sales and foreign sales of multimedia products of Konka Group respectively.
5. In order to accelerate the realization of the strategic goal of "investment and control finance", promote the establishment of financial leasing company, Konka Group determined to increase capital RMB 170 million to Beijing Konka Company on the 37th session meeting of the 8th Board of Directors of Konka Group.
6. Due to business development needs, Konka Group determined to increase the capitals of RMB 280 million and 90 million to Communication Technology Company and Anhui

Tongchuang Company on the 39th session meeting of the 8th Board of Directors of Konka Group.

7. Other important matters that have an impact on investors' decisions

① The Company signed *Konka- Dongfang Cangshan Project List- Fund Trust To Trust Contract* with Bohai International Trust Co., Ltd. on Aug.17, 2017. The two parties made an agreement that the funds are used to invest in the supply chain financial products, the debt financing of the upstream and downstream enterprises of Konka Group, as well as the debt investment or equity investment projects that the executive partners consider necessary. Trust funds are to be delivered in installments for no more than 9 months, and the net return on investment is 9%/year. The incomes are distributed at regular intervals. The amount invested was RMB 979 million as of Dec.31, 2017.

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

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	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
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

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Total	4,947,351,894.35	100.00	215,197,902.10	4.35	4,732,153,992.25

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	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	1,457,500,829.10	43.04	204,973,829.53	14.06	1,252,526,999.57
Group 2: related party group	1,859,065,149.92	54.89	—	—	1,859,065,149.92
Subtotal of groups	3,316,565,979.02	97.93	204,973,829.53	6.18	3,111,592,149.49
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	70,065,431.01	2.07	36,128,381.15	51.56	33,937,049.86
Total	3,386,631,410.03	100	241,102,210.68	7.12	3,145,529,199.35

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

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	1,902,630,629.98	38,052,612.60	2.00%
1 to 2 years	20,827,051.25	1,041,352.56	5.00%

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
2 to 3 years	263,411.99	52,682.40	20.00%
3 to 4 years	158,435.94	79,217.97	50.00%
4 to 5 years	535,094.00	267,547.00	50.00%
Over 5 years	158,409,287.53	158,409,287.53	100.00%
Total	2,082,823,910.69	197,902,700.06	

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

Name of the group	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	2,827,688,037.26	—	—
Total	2,827,688,037.26	—	—

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

Name of customer	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Henan Radio and Television Network Co., Ltd.	4,580,000.00	1,374,000.00	30.00	It is estimated that part of the amount is difficult to recover.
Yunnan Radio and Television Network Group Co., Ltd.	2,138,825.00	748,588.75	35.00	It is estimated that part of the amount is difficult to recover.
Beijing CP Lotus Store	1,733,797.99	1,733,797.99	100.00	It is estimated that part of the amount is difficult to recover.
Administration of Radio, Film and Television in Xinjiang Uygur Autonomous Region	1,708,054.00	546,577.28	32.00	It is estimated that part of the amount is difficult to recover.
Qinhuangdao Baihai Electric Appliance Co., Ltd.	1,430,290.00	230,290.00	16.10	It is estimated that part of the amount is difficult to recover.

Name of customer	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Total	11,590,966.99	4,633,254.02		—

(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 RMB13,985,309.75; the amount of the reversed or collected part during the Reporting Period was of RMB36,469,559.87; the amount of the write-off during the Reporting Period was of RMB3,420,058.46.

(3) Top Five of Account Receivable of Closing Balance Collected by Arrears Party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB3,388,257,587.39, 68.49% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB67,765,151.75.

2. Other Accounts Receivable

(1) Other Account Receivable Classified by Category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	173,061,959.33	3.84	162,467,164.97	93.88	10,594,794.36
Other accounts receivable 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

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal 1 proportion	
Other accounts receivable 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

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	173,061,959.33	9.04	163,333,204.34	94.38	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	126,005,125.10	6.58	22,703,322.23	18.02	103,301,802.87
Group 2: related party group	1,607,493,721.89	84.01	—	—	1,607,493,721.89
Subtotal of groups	1,733,498,846.99	90.59	22,703,322.23	1.31	1,710,795,524.76
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	0.37	2,131,520.57	30.02	4,969,881.33
Total	1,913,662,208.22	100.00	188,168,047.14	9.83	1,725,494,161.08

① Other receivable with single significant amount and withdrawal bad debt provision

separately at end of period

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

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	63,559,556.66	1,271,191.11	2.00
1 to 2 years	18,163,604.42	908,180.17	5.00
2 to 3 years	15,601,435.62	3,120,287.17	20.00
3 to 4 years	9,043,012.07	4,521,506.04	50.00
4 to 5 years	645,459.21	322,729.60	50.00
Over 5 years	14,157,252.81	14,157,252.81	100.00
Total	121,170,320.79	24,301,146.90	

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

Name of the group	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	4,205,636,078.64	—	—
Total	4,205,636,078.64	—	—

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

The amount of bad debt provision was RMB3,875,411.49, the amount of reversed or recovered bad debt provision in the Reporting Period RMB4,541,253.08.

(3) Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Name of the entity	Nature	Closing balance	Aging	Proportion of the total Closing balance of the accounts receivable (%)	Bad debt provision Closing balance
Konka Factoring	Loan	1,662,700,000.00	Within 1 year	36.93	
Kaikai Shijie	Loan	898,964,353.40	Within 1 year	19.97	
Anhui Tongchuang	Loan	340,000,000.00	Within 1 year	7.55	
Konka Factoring	Loan	307,715,642.99	Within 1 year	6.83	
Telecommunication Technology	Loan	280,000,000.00	Within 1 year	6.22	
Total	—	3,489,379,996.39	—	77.50	

3. Long-term Equity Investment

(1) Category of Long-term Equity Investment

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	1,592,732,345.01	46,732,484.69	1,545,999,860.32	2,217,782,345.01	46,732,484.69	2,171,049,860.32
Investment to joint ventures and associated enterprises	1,108,233,473.19	5,158,909.06	1,103,074,564.13	218,079,058.61	5,158,909.06	212,920,149.55
Total	2,700,965,818.20	51,891,393.75	2,649,074,424.45	2,435,861,403.62	51,891,393.75	2,383,970,009.87

(2) Investment to the Subsidiary

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Mudangjiang electric appliances	36,000,000.00	—	—	36,000,000.00	—	36,000,000.00
Anhui Konka	122,780,937.98	—	—	122,780,937.98	—	—
Dongguan Konka	274,783,988.91	—	—	274,783,988.91	—	—
Hong Kong Konka	781,828.61	—	—	781,828.61	—	—
Konka Europe	261,482.50	—	—	261,482.50	—	—
Kunshan Konka	350,000,000.00	—	350,000,000.00	—	—	—
Plasthetics	4,655,000.00	—	—	4,655,000.00	—	—

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Konka Household Appliances	10,732,485.69	—	—	10,732,485.69	—	10,732,484.69
Telecommunication Technology	90,000,000.00	—	—	90,000,000.00	—	—
Information Network	—	—	—	—	—	—
Shushida	31,500,000.00	—	—	31,500,000.00	—	—
Fittings Technology	48,750,000.00	—	—	48,750,000.00	—	—
Kunshan Kangsheng	350,000,000.00	—	—	350,000,000.00	—	—
Anhui Tongchuang	69,702,612.22	180,000,000.00	—	249,702,612.22	—	—
Konka Factoring	10,000,000.00	190,000,000.00	—	200,000,000.00	—	—
Wankaida	10,000,000.00	—	—	10,000,000.00	—	—
Beijing Konka	30,000,000.00	—	—	30,000,000.00	—	—
Shushida Logistics	10,000,000.00	—	—	10,000,000.00	—	—
Konka E-display	7,200,000.00	—	—	7,200,000.00	—	—
Kaikai Shijie	16,000,000.00	—	—	16,000,000.00	—	—
Kangqiao Jiacheng	700,000,000.00	—	700,000,000.00	—	—	—
Commercial Technology	5,832,000.00	—	—	5,832,000.00	—	—

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Mobile Internet	10,200,000.00	—	—	10,200,000.00	—	—
Yilifang	20,000,000.00	—	8,000,000.00	12,000,000.00	—	—
Dongguan Packing	8,602,009.10	—	—	8,602,009.10	—	—
Konka TID	—	40,000,000.00	—	40,000,000.00	—	—
Konka Ventures	—	2,550,000.00	—	2,550,000.00	—	—
Konka Pengrun	—	5,100,000.00	—	5,100,000.00	—	—
Konka Unifortune	—	15,300,000.00	—	15,300,000.00	—	—
Konka Investment	—	—	—	—	—	—
Total	2, 217, 782, 345. 01	432, 950, 000. 00	1, 058, 000, 000. 00	1, 592, 732, 345. 01	—	46, 732, 484. 69

(3) Investment to Associated Enterprises

Investee	Opening balance	Opening balance of impairment provision	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shanghai Konka Green Science & Technology Co., Ltd.	85,791,460.70	—	—	—	-3,787,726.30	-2,274,173.49	—
Zhuhai Jinsu Plastic Co., Ltd.	7,438,647.50	—	—	—	2,005,513.47	—	—
Shenzhen Konka Intelligent Electric Co., Ltd	6,213,908.63	—	—	—	-1,286,319.16	—	—
Enraytek Optoelectronics Co., Ltd.	86,545,225.20	—	—	—	-3,631,202.02	—	—

Investee	Opening balance	Opening balance of impairment provision	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shenzhen Zhongbin Konka Technology Co., Ltd	19,164,691.78	—	—	—	-4,847,290.98	—	—
Shenzhen Konka Information Network Co., Ltd	12,925,124.80	5,158,909.06	—	—	6,035,773.87	—	—
Shenzhen Yaode Technology Co., Ltd.	—	—	171,799,598.00	—	5,681,317.52	—	32,798,217.03
Guangdong Chutian Dragon Smart Card Co., Ltd.	—	—	588,000,000.00	—	7,014,858.00	—	22,199,713.50
Guangdong Hotcomm IT Co., Ltd.	—	—	2,000,000.00	—	-476,833.76	—	—
Kunshan Konka	—	—	—	—	-9,553,536.24	—	—
Shenzhen OCT LIFE	—	—	—	—	-22,084.12	—	—
Total	218,079,058.61	5,158,909.06	761,799,598.00	-	-2,867,529.72	-2,274,173.49	54,997,930.53

(Continued)

Investee	Increase/decrease			Closing balance	Closing balance of impairment provision
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Shanghai Konka Green Science & Technology Co., Ltd.	—	—	—	79,729,560.91	—
Zhuhai Jinsu Plastic Co., Ltd.	—	—	—	9,444,160.97	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	—	4,927,589.47	—

Investee	Increase/decrease			Closing balance	Closing balance of impairment provision
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Enraytek Optoelectronics Co., Ltd.	—	—	-82,914,023.18	—	—
Shenzhen Zhongbin Konka Technology Co., Ltd	—	—	—	14,317,400.80	—
Shenzhen Konka Information Network Co., Ltd	—	—	—	18,960,898.67	5,158,909.06
Shenzhen Yaode Technology Co., Ltd.	—	—	—	210,279,132.55	—
Guangdong Chutian Dragon Smart Card Co., Ltd.	—	—	—	617,214,571.50	—
Guangdong Hotcomm IT Co., Ltd.	—	—	—	1,523,166.24	—
Kunshan Konka	—	—	161,412,612.44	151,859,076.20	—
Shenzhen OCT LIFE	—	—	—	-22,084.12	—
Total	—	—	78,498,589.26	1,108,233,473.19	5,158,909.06

4. Revenues and Operating Costs

(1) Revenues and Operating Costs

Item	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Main operations	10,023,055,904.38	8,361,637,131.46	9,485,317,569.09	8,071,296,885.38
Other operations	2,079,422,147.13	1,892,456,474.58	4,486,773,135.24	4,265,519,555.16
Total	12,102,478,051.51	10,254,093,606.04	13,972,090,704.33	12,336,816,440.54

(2) Main Operations (Classified by Industry)

Industry	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Electronic industry	10,023,055,904.38	8,361,637,131.46	9,485,317,569.09	8,071,296,885.38
Total	10,023,055,904.38	8,361,637,131.46	9,485,317,569.09	8,071,296,885.38

(3) Main Operations (Classified by Product)

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	9,630,486,646.20	8,000,876,316.98	9,094,696,771.30	7,721,798,476.74
Consumer appliances business	257,783,425.06	227,475,631.58	316,518,116.07	278,936,549.04
Other	134,785,833.12	133,285,182.90	74,102,681.72	70,561,859.60
Total	10,023,055,904.38	8,361,637,131.46	9,485,317,569.09	8,071,296,885.38

(4) Main Operations (Classified by Area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	8,939,568,192.59	7,308,147,553.78	8,224,659,030.55	6,858,384,323.24
Overseas sales	1,083,487,711.79	1,053,489,577.68	1,260,658,538.54	1,212,912,562.14
Total	10,023,055,904.38	8,361,637,131.46	9,485,317,569.09	8,071,296,885.38

(5) The Revenue of Sales from the Top Five Customers

Period	Main operation revenue	Proportion of total business revenue (%)
Y 2017	3,106,309,264.79	25.67
Y 2016	3,056,753,554.52	21.88

5. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	35,923,429.08	—
Long-term equity investment income accounted by equity method	-2,867,529.72	29,506,367.44
Investment income received from disposal of long-term equity investment	6,325,965,280.00	4,298,722.50
Investment income received from holding of financial assets measured at fair value and the changes recorded into the current gains and losses	-15,756,828.90	—
Investment income received from disposal of financial assets measured at fair value and the changes recorded into the current gains and losses	—	21,166,497.78
Investment income received from holding of held-to-maturity investment	—	—
Investment income received from holding of available-for-sale financial assets	4,310,000.00	1,310,000.00
Investment income received from disposal of available-for-sale financial assets	—	6,970,146.58
Profits generated from the residual equity re-measured at fair value after losing the controlling rights	7,909,919.36	—
Income incurred in entrusted financing and entrusted loans	70,030,692.89	83,732,849.00
Financial assets transferred from equity investment accounted by equity method	-5,802,480.51	—
Total	6,419,712,482.20	146,984,583.30

XVI. Supplementary Materials

1. Non-recurring Gains and Losses during this Reporting Period

Item	Amount	Note
Gains/losses on the disposal of non-current assets	6,470,215,253.82	

Item	Amount	Note
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	-	
Government grants 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	178,372,701.34	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	—	
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	—	
Gain/loss on non-monetary asset swap	—	
Gain/loss on entrusting others with investments or asset management	70,070,846.08	
Asset impairment provisions due to acts of God such as natural disasters	—	
Gains and losses 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 gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date	—	
Profits or losses incurred from contingency of non-operating business.	—	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	-63,931,276.14	
Reverse of bad debt provision of account receivable individually conducting impairment test	—	
Gain/loss on entrustment loans	808,737.50	
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method	—	

Item	Amount	Note
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	—	
Custody fee income when entrusted with operation	—	
Other non-operating income and expenses other than the above	41,449,367.77	
Project confirmed with the definition of non-recurring gains and losses and losses	87,640,651.87	
Subtotal	6,784,626,282.24	
Income tax effects	1,603,618,658.08	
Minority interests effects (after tax)	26,697,522.62	
Total	5,154,310,101.54	

Notes: the number “+” among the non-current gains and losses items refers to profits and revenues, while “-” referred to losses or expenditure.

The recognition of the non-current gains and losses items was executed according to the regulations of No.1 of the Information Disclosure Explanatory Notice of the Companies Public Offering Securities-Non-current Gains and losses (Z-J-H-Announcement [2008] No. 43) .

Item	The amount of leased assets involved	Reason
Tax rebate of software	56,782,742.21	Closely related to the normal operating business of the Company which met with the regulations of the state policies as well as constantly enjoyed the governmental subsidies according to certain standard quotas or quantities

2. Return on Equity (ROE) and Earnings per Share (EPS)

Profit for Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	63.26%	2.1001	2.1001
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	-1.22%	-0.0404	-0.0404

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.

March 30, 2018