

Stock Symbol: 000016, 200016

Stock Name: Konka A, Konka B

Announcement No.: 2018-11

KONKA GROUP CO., LTD.

ANNUAL REPORT 2017 (ABSTRACT)

Part I Important Notes

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

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

Objections raised by the Directors, Supervisors or executive officers against any contents in this Report:

| Name | Office title | Objection and why |
|------|--------------|-------------------|
| | | |

Statement of objection:

Except for the following Directors, all the other Directors attended in person the Board meeting for the review of this Report.

| Name | Office title | Reason for not attending in person | Proxy |
|------|--------------|------------------------------------|-------|
| | | | |

Independent auditor’s modified opinion:

Applicable Not applicable

Proposal on cash and/or share dividend for common shareholders for the Reporting Period, which has been considered and approved by the Board:

Applicable Not applicable

Share dividend converted from capital reserves:

Yes No

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.

Proposal on cash and/or share dividend for preferred shareholders for the Reporting Period, which has been considered and approved by the Board:

Applicable Not applicable

Part II Company Profile

1. Stock Profile

| | | | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Stock name | Konka A, Konka B | Stock symbol | 000016, 200016 |
| Stock exchange | Shenzhen Stock Exchange | | |
| Changed stock name (if any) | N/A | | |
| Contact information | Board Secretary | Securities Representative | |
| Name | Wu Yongjun | Miao Leiqliang | |
| Office 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 | |
| Fax | 0755-26601139 | 0755-26601139 | |
| Tel. | 0755-61368867 | 0755-61368867 | |
| E-mail address | szkonka@konka.com | szkonka@konka.com | |

2. Brief Introduction to Main Business Scope or Products in Reporting Period

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.

3. Key Financial Information

(1) Key Financial Information of Past Three Years

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

Yes No

Unit: RMB

| | 2017 | 2016 | 2017-over-2016 change | 2015 |
|-------------------|-------------------|-------------------|--------------------------|-------------------|
| Operating revenue | 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 | 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 | -97,284,945.83 | -283,460,349.24 | 65.68% | -1,129,999,645.94 |
| Net cash flows from operating activities | -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 | 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 | 7,994,145,476.61 | 2,901,481,607.04 | 175.52% | 2,814,382,870.81 |

(2) 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 shareholders of the listed company before nonrecurring gains and losses | -18,772,884.12 | -25,683,328.05 | -34,435,053.99 | -18,393,679.67 |
| 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

4. Share Capital and Shareholder Information

(1) Numbers of Common Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Shareholdings of Top Ten Shareholders

Unit: share

| | | | | | | | |
|--------|--------|--------|--------|------------------------|---|-----------------------------|---|
| Common | 91,577 | Common | 89,197 | Preferred shareholders | 0 | Preferred shareholders with | 0 |
|--------|--------|--------|--------|------------------------|---|-----------------------------|---|

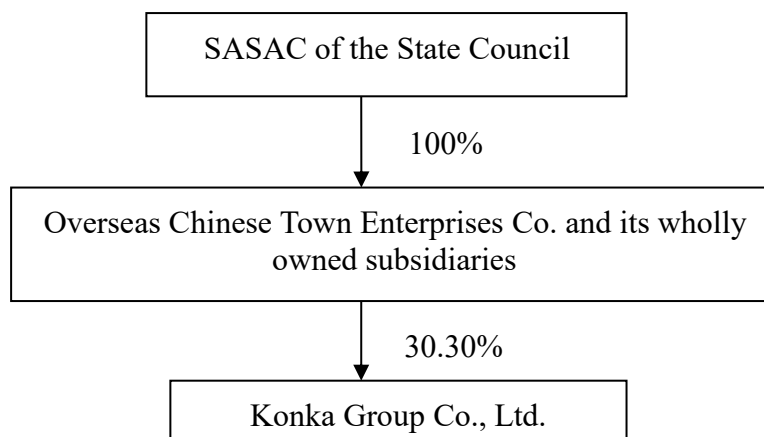
| shareholders at period-end | | shareholders at month-end prior to disclosure of this Report | | with resumed voting rights at period-end | | resumed voting rights at month-end prior to disclosure of this Report | |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------|------------------------------------------|--------------------------|-----------------------------------------------------------------------|--|
| Top ten shareholders | | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage at period-end (%) | Shares | Restricted shares | Pledged or frozen shares | | |
| | | | | | Status | Shares | |
| OVERSEAS CHINESE TOWN ENTERPRISES CO. | State-owned corporation | 21.75% | 523,746,932 | 0 | | | |
| CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD. | Foreign corporation | 7.56% | 182,100,202 | 0 | | | |
| HOLY TIME GROUP LIMITED | Foreign corporation | 2.33% | 56,049,824 | 0 | | | |
| GUOYUAN SECURITIES BROKER (HK) CO., LTD. | Foreign corporation | 2.27% | 54,755,145 | 0 | | | |
| GAOLING FUND, L.P. | Foreign corporation | 2.19% | 52,801,250 | 0 | | | |
| WANG LEI | Domestic Individual | 1.91% | 46,109,841 | 0 | | | |
| ZHANG YAJIAO | Domestic Individual | 0.92% | 22,214,963 | 0 | | | |
| NAM NGAI | Foreign Individual | 0.91% | 22,020,040 | 0 | | | |
| CHINA MERCHANTS SECURITIES (HK) LIMITED | State-owned corporation | 0.91% | 21,832,020 | 0 | | | |
| YUNNAN INTERNATIONAL TRUST CO., LTD.-JULI NO. 48 SINGLE CAPITAL TRUST | Other | 0.84% | 20,216,860 | 0 | | | |
| Related or acting-in-concert parties among shareholders above | Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 common shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not. | | | | | | |
| Shareholders conducting securities margin trading | 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. | | | | | | |

(2) Number of Preferred Shareholders and Shareholdings of Top Ten of Them

Applicable Not applicable

No preferred shareholders in the Reporting Period.

(3) Ownership and Control Relations between Actual Controller and the Company



5. Corporate Bonds

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

No.

Part III Company Performance Discussion and Analysis

1. Business Review for Reporting Period

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

No.

(1) 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:

A. 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.

B. 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.

C. 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.

D. 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.

E. 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.

F. 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.

(2) 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:

A. 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:

a. 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.

b. 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.

c. 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.

d. 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.

B. 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.

C. 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.

D. 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:

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

E. 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 2.1% year-on-year, and the business performance and operation quality were improved significantly.

- a. 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.
- b. 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.

F. 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:

- a. 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.
- b. 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.

G. 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.

H. 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.

2. Material Change in Main Business Scope in Reporting Period

Yes No

Supply chain management was added to main business scope in 2017.

3. Product Categories Contributing over 10% of Main Business Revenue or Income

Applicable Not applicable

Unit: RMB

| Product category | Operating revenue | Operating income | Gross margin | YoY change in operating revenue | YoY change in operating income | YoY change in gross margin percentage |
|------------------|-------------------|------------------|--------------|---------------------------------|--------------------------------|---------------------------------------|
| | | | | | | |

| | | | percent age | | | |
|-----------------------|-------------------|------------------|----------------|---------|---------|-------|
| Color TVs | 11,994,950,476.66 | 1,932,190,030.10 | 16.11% | -3.87% | 10.46% | 2.09% |
| Supply chain services | 13,652,512,654.75 | 151,439,263.20 | 1.11% | 489.03% | 782.01% | 0.37% |

4. Business Seasonality to which Special Attention should Be Paid

Yes No

5. Material YoY Changes in Operating Revenue, Cost of Operating Revenue and Net Income Attributable to Common Shareholders or Their Composition

Applicable Not applicable

The fast growing supply chain management business of the Company greatly boosted its operating revenue for 2017. Additionally, the sale of the Company's 70% stake in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. helped considerably increase its net income of 2017.

6. Possibility of Listing Suspension or Termination

Applicable Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes in Accounting Policies, Accounting Estimates or Measurement 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.

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

Applicable Not applicable

No such cases.

(3) YoY Changes 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.

The Board of Directors

Konka Group Co., Ltd.

March 30, 2018