

KONKA GROUP CO., LTD.
FIRST QUARTER REPORT 2019

2019-41

April 2019

Part I Important Notes

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Konka Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

Liu Fengxi, the Company’s legal representative, Li Chunlei, the Company’s Chief Financial Officer (CFO), and Feng Junxiu, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

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

Part II Key Corporate Information

I Key Financial Information

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

☐ Yes ☒ No

	Q1 2019	Q1 2018	Change (%)
Operating revenue (RMB)	10,772,118,842.18	7,773,238,729.83	38.58%
Net profit attributable to the listed company's shareholders (RMB)	85,566,720.43	55,758,297.40	53.46%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	-418,684,690.19	-68,684,426.14	-509.58%
Net cash generated from/used in operating activities (RMB)	-540,740,144.72	-1,019,365,516.72	46.95%
Basic earnings per share (RMB/share)	0.0355	0.0232	53.02%
Diluted earnings per share (RMB/share)	0.0355	0.0232	53.02%
Weighted average return on equity (%)	1.05%	0.70%	0.35%
	31 March 2019	31 December 2018	Change (%)
Total assets (RMB)	36,306,878,651.93	32,985,061,889.03	10.07%
Equity attributable to the listed company's shareholders (RMB)	8,214,349,853.96	8,104,736,790.53	1.35%

Exceptional gains and losses:

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Q1 2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	489,756,829.17	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	38,562,981.71	
Gain or loss on assets entrusted to other entities for investment or management	73,291,331.14	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-13,291,264.69	
Gain or loss on loan entrustments	404,088.05	

Non-operating income and expense other than the above	9,548,911.72	
Less: Income tax effects	19,670,715.54	
Non-controlling interests effects (net of tax)	74,350,750.94	
Total	504,251,410.62	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

√ Applicable □ Not applicable

Item	Amount (RMB)	Reason
Tax rebates on software	9,929,550.92	Government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards

II Total Number of Shareholders and Holdings of Top 10 Shareholders at 31 March 2019

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

Unit: share

Number of ordinary shareholders at the period-end	84,394	Number of preferred shareholders with resumed voting rights at the period-end (if any)				0
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held	Restricted shares held	Shares in pledge or frozen	
					Status	Shares
OVERSEAS CHINESE TOWN ENTERPRISES CO., LTD	State-owned legal person	21.75%	523,746,932	0		
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	Foreign legal person	7.56%	182,100,202	0		
HOLY TIME GROUP LIMITED	Foreign legal person	2.33%	56,139,100	0		
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	Foreign legal person	2.25%	54,203,779	0		
GAOLING FUND,L.P.	Foreign legal person	2.19%	52,801,250	0		
ZHANG XIAOYU	Domestic natural person	1.09%	26,292,578	0		
NAM NGAI	Foreign natural person	0.93%	22,453,440	0		

Hong Kong Securities Clearing Company Limited	Foreign legal person	0.91%	21,970,787	0		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.88%	21,214,624	0		
National Social Security Fund 118 Portfolio	Other	0.83%	20,099,537	0		
Top 10 unrestricted shareholders						
Name of shareholder		Unrestricted shares held	Shares by type			
			Type		Shares	
OVERSEAS CHINESE TOWN ENTERPRISES CO., LTD		523,746,932	RMB-denominated ordinary stock		523,746,932	
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.		182,100,202	Domestically listed foreign stock		182,100,202	
HOLY TIME GROUP LIMITED		56,139,100	Domestically listed foreign stock		56,139,100	
GUOYUAN SECURITIES BROKER (HK) CO., LTD.		54,203,779	Domestically listed foreign stock		54,203,779	
GAOLING FUND,L.P.		52,801,250	Domestically listed foreign stock		52,801,250	
ZHANG XIAOYU		26,292,578	RMB-denominated ordinary stock		26,292,578	
NAM NGAI		22,453,440	Domestically listed foreign stock		22,453,440	
Hong Kong Securities Clearing Company Limited		21,970,787	RMB-denominated ordinary stock		21,970,787	
CHINA MERCHANTS SECURITIES (HK) LIMITED		21,214,624	Domestically listed foreign stock		21,214,624	
National Social Security Fund 118 Portfolio		20,099,537	RMB-denominated ordinary stock		20,099,537	
Related or acting-in-concert parties among the shareholders above	Happy Bloom Investment Limited, a wholly-owned subsidiary of the Company’s first majority shareholder Overseas Chinese Town Enterprises Co. (“OCT Group” for short), holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Happy Bloom Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or acting-in-concert parties or not.					
Top 10 ordinary shareholders involved in securities margin trading	Zhang Xiaoyu holds 26,292,578 A-shares in the Company through her account of collateral securities for margin trading in Huaxi Securities Co., Ltd.					

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

☐ Yea ☒ No

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

Part III Significant Events

I Changes in Key Financial Statement Line Items and Explanation of why

√ Applicable □ Not applicable

(I) In the Reporting Period, the Company carried on with its long-term development strategy of “Technology + Industry + Park”, accelerating its strategic transformation and upgrade with respect to “One Centric Orientation, Two Development Paths, Three Development Strategies and Four Business Groups”.

The following results have been achieved during the Reporting Period:

1. The Company continued to increase its investment in R&D and strengthen the R&D team so as to steadily improve its core R&D strength. Following the National Second Prize for Progress in Science and Technology for the project of the Digital TV Broadcast System and the Domestication of Core Chips where the Company took part in, the project of the Research and Application of Key Quality Management Technologies for Food in Refrigerators which was led by the Company won the Third Prize for Progress in Science and Technology 2018 from China Light Industry Council.
 2. For the Reporting Period, the Company is expected to achieve operating revenue of approximately RMB10.772billion, up around 38.58% year-on-year. To be specific, the multi-media business saw strong growth in retail and overseas sales thanks to multiple system reforms after the business had been transferred to Shenzhen Konka Electronics Technology Co., Ltd. for operation. The white goods business reported sales revenue of over RMB1 billion for the Reporting Period, up around 47% year-on-year, due to a larger scale supported by the two brands of “Konka + Freestec”. The new businesses of water management, renewable resources recycling and new materials maintained fast growth in operating revenue in the Reporting Period, in addition to winning the bids for environmental protection projects worth around RMB3.2 billion.
 3. The industrial park projects in Chuzhou, Yibin, Nanjing, Suining, etc. were carried forward. Construction was officially started for the Konka Smart Appliances and Equipment Industrial Park in Chuzhou, the Konka Smart Terminals High-Tech Industrial Park in Yibin, the Konka Electronics Technology Industrial Park in Suining, etc.
- Exceptional items have an effect of RMB504 million on the consolidated net profit achieved during the Reporting Period, which were primarily exceptional gains on the transfer of some equity interests in subsidiaries and on the disposal of some assets of subsidiaries.

(II) Changes in Key Financial Statement Line Items

Unit: RMB'0,000

Item	31 March 2019	1 January 2019	Change	Change	Explanation of why
Investments in other equity instruments	163,379.93	63,366.49	100,013.44	157.83%	New fund investments during the Reporting Period
Long-term borrowings	80,400.00	44,500.00	35,900.00	80.67%	Increase in new long-term borrowings of subsidiaries
Item	Q1 2019	Q1 2018	Change	Change	Explanation of why
Operating revenue	1,077,211.88	777,323.87	299,888.01	38.58%	Expansion of the supply chain trade business and the new environmental protection business during the Reporting Period
Cost of sales	1,015,581.43	714,481.34	301,100.09	42.14%	
Finance costs	27,809.24	6,108.64	21,700.60	355.24%	Issuance of RMB2.5 billion of corporate bonds during the Reporting Period
Gain on changes in fair value	-300.54	3,414.22	-3,714.76	-108.80%	Changes in the fair value of forward foreign exchange contracts
Return on investment	26,688.91	3,678.60	23,010.31	625.52%	Transfer of equity interests in subsidiaries during the Reporting Period

II Progress, Influence and Solutions with regard to Significant Events

√ Applicable □ Not applicable

1. Private Placement of A-share: The proposal on private placement of A-share has been reviewed and approved by the board of directors of the Company and been submitted to the State-owned Assets Supervision and Administration Commission and general meeting of the Company. For details about the private placement of A-share, please refer to the announcement of the Company disclosed on cninfo.com.cn.
2. Strategic cooperation agreement with Chuzhou Municipal Government: Currently, the project land has been awarded for Konka Intelligent Home Appliance and Equipment Industrial Park Project (including Ankang Intelligent Factory) and Science and Technology Innovation Center Project Phase II and preparations are being made for the commencement of construction; in addition, the purchase and storage of the original plant of Anhui Konka Electronic Co., Ltd. by the government has been completed. in terms of Opto-electronics Industrial Fund Project (namely, Chuzhou Huike Intelligent Home Appliance Industry Investment Partnership (limited partnership)), the investment agreement has been signed and changes in business registration have been completed; in respect of Konka New Retail Headquarters Project, the project company has been established; in terms of Konka Minghu K-Care Town Project, negotiations are being carried out.
3. As for projects of Dongguan city's new plant and Suining Konka Electronic Technological Industrial Park, 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 project of Yibin Smart Terminal High-Tech Industrial Park, the land use right transfer agreement has been signed and the Construction officially started.
5. As for the project of Nanjing K-Star Cloud Network Headquarters, the land use right transfer agreement has been signed and the report to the Planning Bureau for approval and piling are underway. The Company has transferred the control power over the project company during the Reporting Period.
6. Private placement of corporate bonds, asset securitization of commercial factoring and asset securitization of accounts receivable: During the Reporting Period, the private placement of corporate bonds (Phase I) of RMB2.5 billion has been issued; the asset securitization of commercial factoring and asset securitization of accounts receivable are in the declaration.
7. Launch of establishing the Orient Konka Industrial M&A Fund: Currently, the fund has completed the filing registration for private placement fund and respectively holds 11.95% of shares in Jiangxi Yahua Electronic Materials Co., Ltd., 2.75% of shares in Shenzhen Genew Technologies Co., Ltd., 5% of shares in Roshow Technology Co., Ltd., and 11.73% of shares in Shenzhen Gren RF Communication Co., Ltd. through investments.

Progress of any share repurchase:

☐ Applicable ☒ Not applicable

Progress of any reduction of the repurchased shares through centralized bidding:

☐ Applicable ☒ Not applicable

III Commitments that the Company's Actual Controller, Shareholders, Related Parties, Acquirers, the Company Itself or Other Parties, Failed to Fulfill on Time during the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV Operating Performance Forecast for H1 2019

Warning of a forecast loss on or a forecast significant year-on-year change in the net profit of H1 2019, as well as explanation of why:

☐ Applicable ☒ Not applicable

V Securities Investments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VI Investments in Derivative Financial Instruments

☒ Applicable ☐ Not applicable

Funding source for derivative investment	U.S. dollar financings
Legal matters involved (if applicable)	None
Disclosure date of board announcement approving derivative investment (if any)	24 May 2014
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	10 June 2014
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	We engage in forward forex transactions to reduce the currency risk when securing foreign-currency financing. This is very needed in our routine operation and is in compliance with the applicable laws and regulations. We have formulated the Management Rules of Konka Group Co., Ltd. for Investment In Derivative Financial Instruments, making clear the relevant consideration and approval procedure, risk control, etc. We always sign forward forex contracts with large banks such as the Bank of China, which operate steadily and have good credit standing, which could help prevent loss on forward forex contracts due to bank failure.
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	How we usually measure the fair value of derivative financial instruments: Based on the forward forex sales and purchase contracts that are signed between the Company and banks and have not expired in a Reporting Period, we recognize the differences between the quotations for these contracts on the balance sheet dates provided by the banks and the contractual prices as transactional financial assets or liabilities, and the profit/loss on fair value changes is recognized accordingly. Because these contracts have locked in exchange rates, no changes will occur when comparing the fair value on signing dates with that on delivery dates.
Material changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No material changes
Opinion of independent directors on derivative investments and risk control	It is considered necessary for the Company to lock in foreign-currency financing costs through financial instruments, because it could effectively reduce the currency risk when securing foreign-currency financing. The Company has formulated the internal control mechanism for investment in derivative financial instruments, and the relevant risk control measures that the Company has taken are considered effective.

Unit: RMB'0,000

Type of derivative financial instrument	Beginning contractual amount	Ending contractual amount	Gain/loss in Reporting Period	Ending investment amount as a percentage of the Company's ending net asset value
Forward forex contract	61,356.18	0	-1,329.13	0%

VII Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII Irregularities in the Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Part IV Financial Statements

I Financial Statements

1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

31 March 2019

Unit: RMB

Item	31 March 2019	31 December 2018
Current assets:		
Monetary capital	5,093,938,081.12	4,348,144,129.53
Settlement reserve		
Interbank loans granted		
Trading financial assets		
Financial assets at fair value through profit or loss		5,464,984.92
Derivative financial assets		
Notes and accounts receivable	7,944,980,114.76	7,787,765,540.57
Including: Notes receivable	2,821,032,497.08	3,329,711,954.15
Accounts receivable	5,123,947,617.68	4,458,053,586.42
Prepayments	1,425,010,029.61	1,036,979,167.56
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	1,196,449,279.62	410,804,180.50
Including: Interest receivable	8,464,023.15	4,059,682.40
Dividends receivable	547,848.62	547,848.62
Financial assets purchased under resale agreements		
Inventories	5,865,453,009.98	5,487,605,227.05
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets	31,850,209.83	22,318,208.13
Other current assets	2,525,632,062.22	2,744,216,141.98
Total current assets	24,083,312,787.14	21,843,297,580.24

Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Available-for-sale financial assets		633,664,881.33
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables	393,555,234.81	390,793,038.05
Long-term equity investments	2,626,830,539.59	2,637,780,825.53
Investments in other equity instruments	1,633,799,281.33	
Other non-current financial assets		
Investment property	209,416,537.15	210,824,355.72
Fixed assets	2,231,560,837.86	2,410,226,495.81
Construction in progress	2,168,706,288.15	2,176,871,530.80
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	756,133,351.86	737,776,686.34
R&D expense	5,585,235.10	
Goodwill	855,691,423.75	855,691,423.75
Long-term prepaid expense	98,278,020.48	111,223,426.77
Deferred income tax assets	740,837,273.20	639,433,954.30
Other non-current assets	503,171,841.51	337,477,690.39
Total non-current assets	12,223,565,864.79	11,141,764,308.79
Total assets	36,306,878,651.93	32,985,061,889.03
Current liabilities:		
Short-term borrowings	13,529,952,786.20	13,884,132,931.63
Borrowings from central bank		
Interbank loans obtained		
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		2,459,603.25
Derivative financial liabilities		
Notes and accounts payable	5,611,816,434.78	5,225,053,739.80
Advances from customers	749,144,700.27	723,227,529.20
Financial assets sold under repurchase agreements		

Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Payroll payable	219,858,418.19	376,506,567.71
Taxes payable	367,779,468.06	288,004,192.44
Other payables	2,353,541,235.25	2,024,657,277.74
Including: Interest payable	53,429,282.92	27,230,631.41
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Contractual liabilities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	116,352,928.61	151,792,404.13
Other current liabilities		
Total current liabilities	22,948,445,971.36	22,675,834,245.90
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings	804,000,000.00	445,000,000.00
Bonds payable	2,492,433,176.12	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	154,173,931.79	128,374,597.41
Long-term payroll payable	8,421,886.82	8,792,614.98
Provisions	13,206,591.51	21,772,898.37
Deferred income	114,746,270.51	112,899,128.24
Deferred income tax liabilities	138,434,874.96	141,020,093.34
Other non-current liabilities		
Total non-current liabilities	3,725,416,731.71	857,859,332.34
Total liabilities	26,673,862,703.07	23,533,693,578.24
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		

Perpetual bonds		
Capital reserves	208,356,624.21	208,356,624.21
Less: Treasury stock		
Other comprehensive income	13,476,560.74	-10,538,219.08
Special reserves	31,563.18	
Surplus reserves	1,227,564,785.19	1,227,564,785.19
General reserve		
Retained earnings	4,356,974,912.64	4,271,408,192.21
Total equity attributable to owners of the Company as the parent	8,214,349,853.96	8,104,736,790.53
Non-controlling interests	1,418,666,094.90	1,346,631,520.26
Total owners' equity	9,633,015,948.86	9,451,368,310.79
Total liabilities and owners' equity	36,306,878,651.93	32,985,061,889.03

Legal representative: Liu Fengxi CFO: Li Chunlei Head of the financial department: Feng Junxiu

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 March 2019	31 December 2018
Current assets:		
Monetary capital	2,039,941,002.17	2,124,335,536.69
Trading financial assets		
Financial assets at fair value through profit or loss		5,464,984.92
Derivative financial assets		
Notes and accounts receivable	9,948,341,557.62	9,608,713,113.32
Including: Notes receivable	2,034,245,702.52	2,181,466,683.90
Accounts receivable	7,914,095,855.10	7,427,246,429.42
Prepayments	1,153,285,698.97	1,019,335,571.49
Other receivables	8,179,357,398.45	6,667,463,126.57
Including: Interest receivable	4,469,124.64	5,769,663.24
Dividends receivable		
Inventories	334,890,754.57	254,225,716.41
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	63,944,713.32	77,249,216.99
Total current assets	21,719,761,125.10	19,756,787,266.39

Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		326,164,881.33
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	6,598,799,520.65	6,182,962,034.71
Investments in other equity instruments	326,164,881.33	
Other non-current financial assets		
Investment property	209,416,537.15	210,824,355.72
Fixed assets	457,239,715.10	462,721,018.30
Construction in progress	189,978,680.80	157,356,696.30
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	82,587,720.54	83,593,959.11
R&D expense		
Goodwill		
Long-term prepaid expense	71,609,517.08	80,388,949.97
Deferred income tax assets	623,645,261.76	516,879,201.66
Other non-current assets	20,000,000.00	20,000,000.00
Total non-current assets	8,579,441,834.41	8,040,891,097.10
Total assets	30,299,202,959.51	27,797,678,363.49
Current liabilities:		
Short-term borrowings	8,263,307,897.40	8,179,564,987.70
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		2,459,603.25
Derivative financial liabilities		
Notes and accounts payable	9,774,999,094.02	9,990,213,911.08
Advances from customers	271,524,966.93	306,650,717.69
Contractual liabilities		
Payroll payable	79,755,260.85	146,199,496.44
Taxes payable	11,310,894.61	10,913,871.30
Other payables	2,620,390,954.14	2,011,494,378.65

Including: Interest payable	49,002,780.48	24,158,666.48
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		40,000,000.00
Other current liabilities		
Total current liabilities	21,021,289,067.95	20,687,496,966.11
Non-current liabilities:		
Long-term borrowings	244,000,000.00	245,000,000.00
Bonds payable	2,492,433,176.12	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions	206,591.51	206,591.51
Deferred income	72,201,734.18	75,705,476.93
Deferred income tax liabilities		751,345.42
Other non-current liabilities		
Total non-current liabilities	2,808,841,501.81	321,663,413.86
Total liabilities	23,830,130,569.76	21,009,160,379.97
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	114,018,066.79	114,018,066.79
Less: Treasury stock		
Other comprehensive income	-1,182,217.31	-1,182,217.31
Special reserves		
Surplus reserves	1,227,564,785.19	1,227,564,785.19
Retained earnings	2,720,726,347.08	3,040,171,940.85
Total owners' equity	6,469,072,389.75	6,788,517,983.52
Total liabilities and owners' equity	30,299,202,959.51	27,797,678,363.49

3. Consolidated Income Statement

Unit: RMB

Item	Q1 2019	Q1 2018
1. Revenue	10,772,118,842.18	7,773,238,729.83
Including: Operating revenue	10,772,118,842.18	7,773,238,729.83
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	11,202,465,172.32	7,882,064,997.46
Including: Cost of sales	10,155,814,290.20	7,144,813,360.27
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	18,475,034.55	13,589,602.99
Selling expense	528,175,102.68	515,116,761.90
Administrative expense	166,378,779.54	98,571,374.10
R&D expense	60,488,366.07	63,660,743.95
Finance costs	278,092,405.94	61,086,438.88
Including: Interest expense	270,257,047.31	80,250,454.16
Interest income	42,801,685.68	73,576,813.30
Asset impairment loss	-4,958,806.66	-14,773,284.63
Credit impairment loss		
Add: Other income	33,914,982.48	79,427,673.98
Return on investment (“-” for loss)	266,889,127.97	36,786,042.34
Including: Share of profit or loss of joint ventures and associates	5,251,729.37	6,970,000.00
Foreign exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	-3,005,381.67	34,142,182.67
Asset disposal income (“-” for loss)	293,705,640.64	

3. Operating profit (“-” for loss)	161,158,039.28	41,529,631.36
Add: Non-operating income	28,855,410.44	84,351,129.33
Less: Non-operating expense	4,995,457.15	2,031,498.28
4. Profit before tax (“-” for loss)	185,017,992.57	123,849,262.41
Less: Income tax expense	26,564,577.49	19,428,807.03
5. Net profit (“-” for net loss)	158,453,415.08	104,420,455.38
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)		
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	85,566,720.43	55,758,297.40
5.2.1 Net profit attributable to non-controlling interests	72,886,694.65	48,662,157.98
6. Other comprehensive income, net of tax	23,162,659.81	9,213,157.17
Attributable to owners of the Company as the parent	24,014,779.82	9,874,124.52
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value of the company’s credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	24,014,779.82	9,874,124.52
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		-31,342.08
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		

6.2.8 Differences arising from the translation of foreign currency-denominated financial statements	24,014,779.82	9,905,466.60
6.2.9 Other		
Attributable to non-controlling interests	-852,120.01	-660,967.35
7. Total comprehensive income	181,616,074.89	113,633,612.55
Attributable to owners of the Company as the parent	109,581,500.25	65,632,421.92
Attributable to non-controlling interests	72,034,574.64	48,001,190.63
8. Earnings per share		
8.1 Basic earnings per share	0.0355	0.0232
8.2 Diluted earnings per share	0.0355	0.0232

Legal representative: Liu Fengxi CFO: Li Chunlei Head of the financial department: Feng Junxiu

4. Income Statement of the Company as the Parent

Unit: RMB

Item	Q1 2019	Q1 2018
1. Operating revenue	3,159,459,959.20	3,669,669,375.96
Less: Cost of sales	3,084,291,674.08	3,269,110,540.85
Taxes and surcharges	1,508,984.24	7,177,383.09
Selling expense	318,153,101.41	378,868,998.55
Administrative expense	60,368,923.38	56,981,287.15
R&D expense	11,416,023.40	39,367,237.26
Finance costs	185,005,604.01	92,033,331.44
Including: Interest expense	246,745,502.24	132,054,494.09
Interest income	109,403,676.64	69,508,480.87
Asset impairment loss		
Credit impairment loss		
Add: Other income	13,187,319.83	29,928,292.31
Return on investment (“-” for loss)	64,398,528.84	222,948,489.00
Including: Share of profit or loss of joint ventures and associates		6,970,000.00
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	-3,005,381.67	34,142,182.67
Asset disposal income (“-” for loss)		
2. Operating profit (“-” for loss)	-426,703,884.32	113,149,561.60
Add: Non-operating income	235,648.04	13,919,212.26
Less: Non-operating expense	494,763.01	1,773,382.89

3. Profit before tax ("-" for loss)	-426,962,999.29	125,295,390.97
Less: Income tax expense	-107,517,405.52	-20,030,289.07
4. Net profit ("-" for net loss)	-319,445,593.77	145,325,680.04
4.1 Net profit from continuing operations ("-" for net loss)		
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax		5,222,526.42
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value of the company's credit risks		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss		5,222,526.42
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		4,296,185.76
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		926,340.66
5.2.9 Other		
6. Total comprehensive income	-319,445,593.77	150,548,206.46
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Q1 2019	Q1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	11,629,972,953.14	5,754,785,966.74
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the 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		
Net proceeds from acting trading of securities		
Tax rebates	307,323,363.61	168,573,547.32
Cash generated from other operating activities	1,487,656,643.30	172,592,473.35
Subtotal of cash generated from operating activities	13,424,952,960.05	6,095,951,987.41
Payments for commodities and services	12,464,112,932.57	6,072,157,862.54
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in financial assets held for trading purposes		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	548,246,765.80	481,603,150.56
Taxes paid	159,596,824.94	201,309,910.91
Cash used in other operating activities	793,736,581.46	360,246,580.12
Subtotal of cash used in operating activities	13,965,693,104.77	7,115,317,504.13
Net cash generated from/used in operating activities	-540,740,144.72	-1,019,365,516.72
2. Cash flows from investing activities:		
Proceeds from disinvestment	71,798,210.00	37,303,231.61
Return on investment	18,560,027.29	27,461,877.60

Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	27,086.77	26,132.00
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	50,000,000.00	420,950,000.00
Subtotal of cash generated from investing activities	140,385,324.06	485,741,241.21
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	198,262,328.78	87,522,934.00
Payments for investments	1,116,840,150.00	8,378,256.00
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	33,420.00	623,480,000.00
Subtotal of cash used in investing activities	1,315,135,898.78	719,381,190.00
Net cash generated from/used in investing activities	-1,174,750,574.72	-233,639,948.79
3. Cash flows from financing activities:		
Capital contributions received	69,775,272.10	26,400,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	69,775,272.10	26,400,000.00
Borrowings obtained	6,036,407,744.97	2,430,850,602.39
Net proceeds from the issuance of bonds	2,491,250,000.00	
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	8,597,433,017.07	2,457,250,602.39
Repayments of borrowings	5,791,211,803.51	2,184,187,298.05
Payments for interest and dividends	130,287,756.06	86,485,560.15
Including: Dividends paid by subsidiaries to non-controlling interests		672,569.18
Cash used in other financing activities	113,256,202.85	
Subtotal of cash used in financing activities	6,034,755,762.42	2,270,672,858.20
Net cash generated from/used in financing activities	2,562,677,254.65	186,577,744.19
4. Effect of foreign exchange rate changes on cash and cash equivalents	-28,585,274.94	-42,957,026.83
5. Net increase in cash and cash equivalents	818,601,260.27	-1,109,384,748.15
Add: Cash and cash equivalents, beginning of the period	3,434,149,481.72	3,097,899,703.76
6. Cash and cash equivalents, end of the period	4,252,750,741.99	1,988,514,955.61

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	Q1 2019	Q1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	5,741,645,965.28	4,460,261,836.82
Tax rebates	2,001,311.86	49,651,754.59
Cash generated from other operating activities	2,888,350,859.75	400,528,693.60
Subtotal of cash generated from operating activities	8,631,998,136.89	4,910,442,285.01
Payments for commodities and services	4,822,152,505.81	4,046,918,162.79
Cash paid to and for employees	228,776,897.37	308,420,198.90
Taxes paid	27,043,199.31	63,378,125.20
Cash used in other operating activities	3,497,902,432.17	1,120,437,119.07
Subtotal of cash used in operating activities	8,575,875,034.66	5,539,153,605.96
Net cash generated from/used in operating activities	56,123,102.23	-628,711,320.95
2. Cash flows from investing activities:		
Proceeds from disinvestment	4,538,210.00	
Return on investment	20,974,260.08	33,036,245.41
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	75,760.33	26,132.00
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	68,811,385.15	517,743,720.30
Subtotal of cash generated from investing activities	94,399,615.56	550,806,097.71
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	37,545,366.80	39,045,066.97
Payments for investments	419,430,000.00	212,000,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	2,341,938,500.00	692,763,165.04
Subtotal of cash used in investing activities	2,798,913,866.80	943,808,232.01
Net cash generated from/used in investing activities	-2,704,514,251.24	-393,002,134.30
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained	1,797,521,590.00	763,416,364.16
Net proceeds from the issuance of bonds	2,491,250,000.00	
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	4,288,771,590.00	763,416,364.16
Repayments of borrowings	1,517,544,630.00	667,515,069.15

Payments for interest and dividends	103,058,776.61	81,697,528.08
Cash used in other financing activities	85,309.60	
Subtotal of cash used in financing activities	1,620,688,716.21	749,212,597.23
Net cash generated from/used in financing activities	2,668,082,873.79	14,203,766.93
4. Effect of foreign exchange rate changes on cash and cash equivalents	-11,843,842.05	-19,141,408.56
5. Net increase in cash and cash equivalents	7,847,882.73	-1,026,651,096.88
Add: Cash and cash equivalents, beginning of the period	1,497,794,555.85	1,743,269,944.67
6. Cash and cash equivalents, end of the period	1,505,642,438.58	716,618,847.79

II Adjustments to the Financial Statements

1. Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases

√ Applicable □ Not applicable

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	4,348,144,129.53	4,348,144,129.53	
Trading financial assets	N/A	5,464,984.92	5,464,984.92
Financial assets at fair value through profit or loss	5,464,984.92	N/A	-5,464,984.92
Notes and accounts receivable	7,787,765,540.57	7,787,765,540.57	
Including: Notes receivable	3,329,711,954.15	3,329,711,954.15	
Accounts receivable	4,458,053,586.42	4,458,053,586.42	
Prepayments	1,036,979,167.56	1,036,979,167.56	
Other receivables	410,804,180.50	410,804,180.50	
Including: Interest receivable	4,059,682.40	4,059,682.40	
Dividends receivable	547,848.62	547,848.62	
Inventories	5,487,605,227.05	5,487,605,227.05	
Current portion of non-current assets	22,318,208.13	22,318,208.13	
Other current assets	2,744,216,141.98	2,744,216,141.98	
Total current assets	21,843,297,580.24	21,843,297,580.24	
Non-current assets:			
Available-for-sale financial assets	633,664,881.33	N/A	-633,664,881.33

Long-term receivables	390,793,038.05	390,793,038.05	
Long-term equity investments	2,637,780,825.53	2,637,780,825.53	
Investments in other equity instruments	N/A	633,664,881.33	633,664,881.33
Investment property	210,824,355.72	210,824,355.72	
Fixed assets	2,410,226,495.81	2,410,226,495.81	
Construction in progress	2,176,871,530.80	2,176,871,530.80	
Intangible assets	737,776,686.34	737,776,686.34	
Goodwill	855,691,423.75	855,691,423.75	
Long-term prepaid expense	111,223,426.77	111,223,426.77	
Deferred income tax assets	639,433,954.30	639,433,954.30	
Other non-current assets	337,477,690.39	337,477,690.39	
Total non-current assets	11,141,764,308.79	11,141,764,308.79	
Total assets	32,985,061,889.03	32,985,061,889.03	
Current liabilities:			
Short-term borrowings	13,884,132,931.63	13,884,132,931.63	
Trading financial liabilities	N/A	2,459,603.25	2,459,603.25
Financial liabilities at fair value through profit or loss	2,459,603.25	N/A	-2,459,603.25
Notes and accounts payable	5,225,053,739.80	5,225,053,739.80	
Advances from customers	723,227,529.20	723,227,529.20	
Payroll payable	376,506,567.71	376,506,567.71	
Taxes payable	288,004,192.44	288,004,192.44	
Other payables	2,024,657,277.74	2,024,657,277.74	
Including: Interest payable	27,230,631.41	27,230,631.41	
Current portion of non-current liabilities	151,792,404.13	151,792,404.13	
Total current liabilities	22,675,834,245.90	22,675,834,245.90	
Non-current liabilities:			
Long-term borrowings	445,000,000.00	445,000,000.00	
Long-term payables	128,374,597.41	128,374,597.41	
Long-term Payroll payable	8,792,614.98	8,792,614.98	
Provisions	21,772,898.37	21,772,898.37	
Deferred income	112,899,128.24	112,899,128.24	
Deferred income tax liabilities	141,020,093.34	141,020,093.34	

Total non-current liabilities	857,859,332.34	857,859,332.34	
Total liabilities	23,533,693,578.24	23,533,693,578.24	
Owners' equity:			
Share capital	2,407,945,408.00	2,407,945,408.00	
Capital reserves	208,356,624.21	208,356,624.21	
Other comprehensive income	-10,538,219.08	-10,538,219.08	
Surplus reserves	1,227,564,785.19	1,227,564,785.19	
Retained earnings	4,271,408,192.21	4,271,408,192.21	
Total equity attributable to owners of the Company as the parent	8,104,736,790.53	8,104,736,790.53	
Non-controlling interests	1,346,631,520.26	1,346,631,520.26	
Total owners' equity	9,451,368,310.79	9,451,368,310.79	
Total liabilities and owners' equity	32,985,061,889.03	32,985,061,889.03	

Notes for adjustment

Financial assets at fair value through profit or loss, formerly recognized as “financial assets at fair value through profit or loss”, are now recognized as “trading financial assets” according to the new accounting rules governing financial instruments and presented as “trading financial assets” according to the CK (2018) No. 15 Document. This change has no impact on equities or profit/loss.

Equity investments with the Company having significant influence on the investees, formerly recognized as “available-for-sale financial assets”, are now recognized as “financial assets at fair value through other comprehensive income” according to the new accounting rules governing financial instruments and presented as “investments in other equity instruments” according to the CK (2018) No. 15 Document. And such equity investments are measured at cost. This change has no impact on equities or profit/loss.

Financial liabilities at fair value through profit or loss, formerly recognized as “financial liabilities at fair value through profit or loss”, are now recognized as “trading financial liabilities” according to the new accounting rules governing financial instruments and presented as “trading financial liabilities” according to the CK (2018) No. 15 Document. This change has no impact on equities or profit/loss.

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	2,124,335,536.69	2,124,335,536.69	
Trading financial assets	N/A	5,464,984.92	5,464,984.92
Financial assets at fair value through profit or loss	5,464,984.92	N/A	-5,464,984.92
Notes and accounts receivable	9,608,713,113.32	9,608,713,113.32	

Including: Notes receivable	2,181,466,683.90	2,181,466,683.90	
Accounts receivable	7,427,246,429.42	7,427,246,429.42	
Prepayments	1,019,335,571.49	1,019,335,571.49	
Other receivables	6,667,463,126.57	6,667,463,126.57	
Including: Interest receivable	5,769,663.24	5,769,663.24	
Inventories	254,225,716.41	254,225,716.41	
Other current assets	77,249,216.99	77,249,216.99	
Total current assets	19,756,787,266.39	19,756,787,266.39	
Non-current assets:			
Available-for-sale financial assets	326,164,881.33	N/A	-326,164,881.33
Long-term equity investments	6,182,962,034.71	6,182,962,034.71	
Investments in other equity instruments	N/A	326,164,881.33	326,164,881.33
Investment property	210,824,355.72	210,824,355.72	
Fixed assets	462,721,018.30	462,721,018.30	
Construction in progress	157,356,696.30	157,356,696.30	
Intangible assets	83,593,959.11	83,593,959.11	
Long-term prepaid expense	80,388,949.97	80,388,949.97	
Deferred income tax assets	516,879,201.66	516,879,201.66	
Other non-current assets	20,000,000.00	20,000,000.00	
Total non-current assets	8,040,891,097.10	8,040,891,097.10	
Total assets	27,797,678,363.49	27,797,678,363.49	
Current liabilities:			
Short-term borrowings	8,179,564,987.70	8,179,564,987.70	
Trading financial liabilities	N/A	2,459,603.25	2,459,603.25
Financial liabilities at fair value through profit or loss	2,459,603.25	N/A	-2,459,603.25
Notes and accounts payable	9,990,213,911.08	9,990,213,911.08	
Advances from customers	306,650,717.69	306,650,717.69	
Payroll payable	146,199,496.44	146,199,496.44	
Taxes payable	10,913,871.30	10,913,871.30	
Other payables	2,011,494,378.65	2,011,494,378.65	
Including: Interest payable	24,158,666.48	24,158,666.48	
Current portion of non-current liabilities	40,000,000.00	40,000,000.00	

Total current liabilities	20,687,496,966.11	20,687,496,966.11	
Non-current liabilities:			
Long-term borrowings	245,000,000.00	245,000,000.00	
Provisions	206,591.51	206,591.51	
Deferred income	75,705,476.93	75,705,476.93	
Deferred income tax liabilities	751,345.42	751,345.42	
Total non-current liabilities	321,663,413.86	321,663,413.86	
Total liabilities	21,009,160,379.97	21,009,160,379.97	
Owners' equity:			
Share capital	2,407,945,408.00	2,407,945,408.00	
Capital reserves	114,018,066.79	114,018,066.79	
Other comprehensive income	-1,182,217.31	-1,182,217.31	
Surplus reserves	1,227,564,785.19	1,227,564,785.19	
Retained earnings	3,040,171,940.85	3,040,171,940.85	
Total owners' equity	6,788,517,983.52	6,788,517,983.52	
Total liabilities and owners' equity	27,797,678,363.49	27,797,678,363.49	

Notes for adjustment

Financial assets at fair value through profit or loss, formerly recognized as “financial assets at fair value through profit or loss”, are now recognized as “trading financial assets” according to the new accounting rules governing financial instruments and presented as “trading financial assets” according to the CK (2018) No. 15 Document. This change has no impact on equities or profit/loss. Equity investments with the Company having significant influence on the investees, formerly recognized as “available-for-sale financial assets”, are now recognized as “financial assets at fair value through other comprehensive income” according to the new accounting rules governing financial instruments and presented as “investments in other equity instruments” according to the CK (2018) No. 15 Document. And such equity investments are measured at cost. This change has no impact on equities or profit/loss.

Financial liabilities at fair value through profit or loss, formerly recognized as “financial liabilities at fair value through profit or loss”, are now recognized as “trading financial liabilities” according to the new accounting rules governing financial instruments and presented as “trading financial liabilities” according to the CK (2018) No. 15 Document. This change has no impact on equities or profit/loss.

2. Retrospective Restatement of Previous Comparative Data due to the First Execution of any New Standards Governing Financial Instruments or Leases

☐ Applicable ☒ Not applicable

III Independent Auditor's Report

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

☐ Yes ☒ No

These financial statements have not been audited by such an auditor.

The Board of Directors

Konka Group Co., Ltd.

29 April 2019