

Stock Code: 000016, 200016  
Bond code: 114418, 114423  
114488, 114489  
114523, 114524

Stock Name: Konka Group-A, Konka Group-B  
Bond name: 19 Konka 01, 19 Konka 02  
19 Konka 03, 19 Konka 04  
19 Konka 05, 19 Konka 06

Announcement No. 2019-75

## **KONKA GROUP CO., LTD.**

### **INTERIM REPORT 2019 (SUMMARY)**

#### **Part I Important Notes**

This Abstract is based on the full text of the Semi-Annual Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company, investors are kindly reminded to read the full text carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Objections raised by any of the directors, supervisors or senior management against any contents in this Report or its summary:

Name	Office title	Objection and explanation of 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 and its summary.

Name	Office title	Reason for not attending meeting in person	Proxy entrusted to attend the meeting

Independent auditor’s modified opinion:

☐ Applicable ☒ Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

☐ Applicable ☒ Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

☐ Applicable ☒ Not applicable

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

### 1. Stock Profile

Stock name	Konka Group-A, Konka Group-B	Stock code	000016, 200016
Stock exchange for stock listing	Shenzhen Stock Exchange		
Changed stock name (if any)	N/A		
Contact information	Board Secretary	Securities Representative	
Name	Wu Yongjun	Miao Leiqiang	
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	
Tel.	0755-26609138	0755-26609138	
E-mail address	szkonka@konka.com	szkonka@konka.com	

### 2. Key Financial Information

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

☐ Yes ☒ No

	H1 2019	H1 2018	Change (%)
Operating revenue (RMB)	26,036,442,813.84	17,625,414,769.82	47.72%
Net profit attributable to the listed company's shareholders (RMB)	352,767,020.73	341,793,039.03	3.21%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	-622,911,633.57	-300,870,612.80	-107.04%
Net cash generated from/used in operating activities (RMB)	-2,042,956,171.77	-1,838,158,705.86	-11.14%
Basic earnings per share (RMB/share)	0.1465	0.1419	3.24%
Diluted earnings per share (RMB/share)	0.1465	0.1419	3.24%
Weighted average return on equity (%)	4.25%	4.19%	0.06%
	30 June 2019	31 December 2018	Change (%)
Total assets (RMB)	37,939,411,460.71	32,985,061,889.03	15.02%
Equity attributable to the listed company's shareholders (RMB)	8,239,642,204.00	8,104,736,790.53	1.66%

### 3. Shareholders and Their Holdings as at 30 June 2019

Unit: share

Number of ordinary shareholders	92,812	Number of preferred shareholders with resumed voting rights (if any)			0	
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholdin g percentage	Number of shares	Restricted shares	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	Foreign legal	7.56%	182,100,202	0		

BROKERAGE (HONG KONG) CO., LTD.	person					
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	1.13%	27,283,178	0		
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	1.13%	27,256,732	0		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.95%	22,879,324	0		
NAM NGAI	Foreign natural person	0.93%	22,453,440	0		
NATIONAL SOCIAL SECURITY FUND-PORTFOLIO 118	Other	0.88%	21,099,537	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 ordinary 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 acting-in-concert parties or not.					
Shareholders conducting margin trading	Zhang Xiaoyu holds 27,283,178 A-shares in the Company through her account of collateral securities for margin trading in Huaxi Securities Co., Ltd.					

#### 4. Change of Controlling Shareholder or Actual Controller in Reporting Period

Change of the controlling shareholder in the Reporting Period:

☐ Applicable ☒ Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

☐ Applicable ☒ Not applicable

The actual controller remained the same in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No preferred shareholders in the Reporting Period.

#### 6. Corporate bonds

Does the Company have any corporate bonds publicly offered 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?

Such information is disclosed as below:

## (1) Basic Information of Corporate Bonds

Name	Abbr.	Code	Due date	Bonds balance (RMB'0,000)	Coupon rate
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche I) (Variety I)	19 Konka 01	114418	14 January 2022	100,000	5.00%
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche I) (Variety II)	19 Konka 02	114423	14 January 2022	150,000	5.00%
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche II) (Variety I)	19 Konka 03	114488	3 June 2022	50,000	4.50%
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche II) (Variety II)	19 Konka 04	114489	3 June 2022	50,000	4.70%
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche III) (Variety I)	19 Konka 05	114523	22 July 2022	80,000	4.53%
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Tranche III) (Variety II)	19 Konka 06	114524	22 July 2022	70,000	4.70%

## (2) Financial Indicators as at 30 June 2019

Item	30 June 2019	31 December 2018	Change (%)
Debt/asset ratio	74.08%	71.35%	2.73%
Item	H1 2019	H1 2018	Change (%)
EBITDA-to-interest coverage ratio	2.75	2.39	15.06%

## Part III Operating Performance Discussion and Analysis

### (I) Business Overview of Reporting Period

Is the Company subject to any industry-specific disclosure requirements?  
No.

The Company carried on with its long-term development strategy of “Technology + Industry + Park” during the Reporting Period, made progress in the following aspects:

1. The mixed-ownership reform progressed further, bringing more vitality to the subordinates. During the Reporting Period, in order to further promote the mixed-ownership reform on the subordinates and refine the asset allocation of the Company, Shenzhen Konka E-display Co., Ltd. introduced Shenzhen MACC Investment Holding Co., Ltd., which owns upstream resources, as a shareholder. In addition, the multimedia business of the Company kept enhancing its competitiveness by taking reform measures such as promoting the mixed-ownership reform on the sales subsidiaries and building an independent domestic service system.
2. Efforts were stepped up in technological R&D to enhance independent innovation. During the Reporting Period, the Company proactively implemented the approach of “independent innovation + technology introduction”. R&D investment increased by 14.74% year-on-year in the first half of this year, and built a three-level lab system (a comprehensive lab at the Headquarters level, key labs at the

level of cooperation between the Headquarters and the business departments, and improvement labs at the business department level). More than a dozen of high-end personnel from around the world were introduced to the system, and an intent was reached with research institutes such as the Shenzhen Institutes of Advanced Technology of the Chinese Academy of Sciences and the Harbin Institute of Technology, Shenzhen to jointly produce post-doctoral talent. During the period, a number of programmes featuring independent innovation by the Company received commendations, including the National Second Prize for Progress in Science and Technology for the programme of the Digital TV Broadcast System and the Domestication of Core Chips, the Third Prize for Progress in Science and Technology for the programme of the Research and Industrialization of Key Quality Management Technologies for Food in Refrigerators by the China Light Industry Council, as well as the inclusion of the programme of the 8K Equipment End-to-End Signal Connection Key Technology and R&D of Terminal Display Products in the Key R&D Programmes of Guangdong Province.

3. The Company continued to revitalize the Konka brand. During the Reporting Period, the Company took proactive measures to revitalize its brand through the approach of “enhance the top brand image, increase the brand’s popularity among young people, and upgrade the brand image by delivering a good brand story”. The brand promotion investment increased by 20.08% year-on-year in the first half of this year. The Company tried to make its brand more attractive to young and international consumers by means of deep cooperation with widely-recognized media and platforms, as well as with Lu Han, a top star.

4. The core businesses saw further improvement. As a result, it recorded operating revenue of RMB26.036 billion for the period, up 47.72% year-on-year. During the Reporting Period, the environmental business reported close to RMB4.863 billion in operating revenue with steady progress made in water treatment, recycling of renewable resources and new materials; the white goods business posted a 50% year-on-year growth in operating revenue thanks to measures such as the integration of online and offline marketing and product upgrade in addition to the integration of the “Konka + Frestec” brand resources; and the multimedia business proactively refined its product mix, promoted mechanism reform and saw a markedly larger size of both the e-commerce and overseas operations, where a great deal of effort was put;.

5. Technology park development moved on. According to the strategy of “Technology + Industry + Park”, the Company kept pace with the government planning for industry structure adjustment and transformation and upgrade, and proactively promoted its technology park business on the basis of its unique market, industry and operational resources. Following the implementation of a number of technology park projects in 2018, the Company moved on to plan for new parks in Haimen, Lankao, Yantai, Chongqing and other cities in the Reporting Period.

## **(II) Matters Related to Financial Reporting**

### **1. Changes to Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period**

☒ Applicable   ☐ Not applicable

The Ministry of Finance issued the revised versions of the accounting standards in relation to financial instruments, including the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets and the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting on 31 March 2017, as well as the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments on 2 May 2017. The four revised accounting standards (hereinafter referred to as the “New Accounting Standards for Financial Instruments”) applied, from 1 January 2019, to enterprises listed domestically in China.

The Company has adopted the New Accounting Standards for Financial Instruments since 1 January 2019 and prepared its financial statements in accordance with the Format of Financial Statements for General Enterprises (applicable for enterprises adopting the New Accounting Standards for Financial Instruments or the new revenue accounting standard). Pursuant to the New Accounting Standards for Financial Instruments, the Company categorizes and measures financial instruments (financial assets held by the Company) and their impairments based on the “business models” and “cash flow characteristics of financial asset contracts”, changes the accounting treatment of impairments in financial assets from the “incurred loss method” to the “expected loss method”, and records the difference between the original carrying amount of a financial instrument and the new carrying amount on the date of the adoption of the New Accounting Standards for Financial Instruments in the beginning retained earnings or other comprehensive income of 2019. And the format of the Company’s financial statements is adjusted according to the Format of Financial Statements for General Enterprises (applicable for enterprises adopting the New Accounting Standards for Financial Instruments or the new revenue accounting standard) (regulatory document CK [2018] No. 15). The aforesaid accounting policy changes have no material impact on the financial condition, operating results or cash flows of the Company.

### **2. Retrospective Restatements due to Correction of Material Accounting Errors in Reporting Period**

☐ Applicable   ☒ Not applicable

No such cases.

### 3. Changes to Scope of Consolidated Financial Statements Compared to Last Accounting Period

√ Applicable    □ Not applicable

Subsidiary	How subsidiary was obtained or disposed in the Reporting Period	Effects on overall operations and operating performance
Shenzhen Konka Shengxing Industrial Co., Ltd.	Set-up	No material effects
Shenzhen Youzhihui Technology Co., Ltd.	Set-up	No material effects
Suining Konka Electronic Technological Innovation Co., Ltd.	Set-up	No material effects
Shenzhen Xiaojia Technology Co., Ltd.	Set-up	No material effects
Yibin Konka Smart Technology Co., Ltd.	Set-up	No material effects
Konka Huanjia (Henan) Environmental Technology Co., Ltd.	Set-up	No material effects
Laizhou Lairun Sewage Treatment Co., Ltd.	Set-up	No material effects
Funan Kangrun Water Co., Ltd.	Set-up	No material effects
Weifang Sihai Kangrun Investment Operation Co., Ltd.	Set-up	No material effects
Hefei Yihe Electronic Co., Ltd.	Set-up	No material effects
Lushan Kangrun Environment Management Co., Ltd.	Set-up	No material effects
Shenzhen Huanan Investment Partnership (Limited Partnership)	Set-up	No material effects
Chongqing Konka Technology Development Co., Ltd.	Set-up	No material effects
Dongguan Konka Investment Co., Ltd.	Set-up	No material effects
Rushan Yikang Shell Technology Incubator Co., Ltd.	Cancellation	No material effects
Yantai Huanhai Xinze Enterprise Management Co., Ltd.	Cancellation	No material effects
Shenzhen Konka E-display Co., Ltd.	Transfer of 15% equity interests in Shenzhen Konka E-display Co., Ltd.	The equity interests transfer generated great gains
Chuzhou Konka Technology & Industry Development Co., Ltd.	Transfer of 51% equity interests in Chuzhou Konka Technology & Industry Development Co., Ltd.	The equity interests transfer generated great gains

The Board of Directors  
Konka Group Co., Ltd.  
6 August 2019