Konka Group Co., Ltd.

Third Quarter Report 2016

2016-52

October 2016

Section I Important Statements

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Konka Group Co., Ltd. (hereinafter referred to as "the Company") warrant that the information carried in this report is factual, accurate and complete, without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors have attended the board session for reviewing this report.

Liu Fengxi, Company Principal, Xu Youshan, Chief of the Accounting Work, and Xu Youshan, Chief of the Accounting Organ (Chief of Accounting), hereby confirm that the financial statements enclosed in this report are factual, accurate and complete.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Section II Financial Highlights & Shareholder Changes

I Highlights of accounting data and financial indicators

Whether the Company performs any retroactive adjustments to or restatements of its accounting data of last year due to change in accounting policies or correction of accounting errors

□ Yes √ No

	30 September 2016	31 December 2015		+/- (%)
Total assets (RMB)	15,075,061,321.15	14,250,367,548.28		5.79%
Net assets attributable to shareholders of the Company (RMB)	2,749,444,969.68	2,814,382,870.81		-2.31%
	July-September 2016	YoY +/- (%)	January-September 2016	YoY +/- (%)
Operating revenues (RMB)	6,008,160,392.02	22.61%	14,617,241,214.26	5.58%
Net profit attributable to shareholders of the Company (RMB)	-57,165,694.07	89.70%	-44,330,957.31	94.80%
Net profit attributable to shareholders of the Company excluding exceptional profit and loss (RMB)	-93,347,364.40	74.46%	-122,083,511.60	82.54%
Net cash flows from operating activities (RMB)	--	--	-410,578,551.13	-135.98%
Basic earnings per share (RMB/share)	-0.0237	89.72%	-0.0184	94.80%
Diluted earnings per share (RMB/share)	-0.0237	89.72%	-0.0184	94.80%
Weighted average return on equity (%)	-2.05%	12.47%	-1.59%	21.64%

Unit: RMB

Item	January-September 2016	Note
Profit/loss on disposal of non-current assets (including offset amount of asset impairment provisions)	5,328,831.93	
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	68,705,332.37	
Profit/loss on entrusting others with investments or asset management	39,157,479.27	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment profit on disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effectively hedging business related to normal business operations of the Company	-21,541,328.13	

Impairment provision reversal for accounts receivable on which the impairment test is carried out separately	72,735.80	
Profit/loss on entrusted loans	707,777.78	
Non-operating income and expense other than the above	12,172,155.23	
Other profit/loss that meet the definition of exceptional profit/loss	2,136,847.06	
Less: Income tax effects	23,270,429.06	
Minority interests effects (after tax)	5,716,847.96	
Total	77,752,554.29	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

√ Applicable □ Not applicable

Item	Involved amount (RMB)	Reason
Tax rebates on software	89,913,747.18	Government grants closely related to the Company's normal operation and constantly given at certain quotas or amounts according to the government's policies and standards
Total	89,913,747.18	

II Total number of shareholders at the period-end and shareholdings of top ten shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period	136,122	Total number of preference shareholders who had resumed their voting right at the end of the Reporting Period (if any)	0			
Shareholdings of top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
OCT ENTERPRISES CO.	State-owned corporation	21.75%	523,746,932	0	Pledged	0
					Frozen	0
CITIC SECURITIES BROKERAG	Foreign	7.56%	182,100,202	0	Pledg	0

(HK) CO., LIMITED	corporation				ed	
					Frozen	0
GUOYUAN SECURITIES BROKERAG (HK) CO., LIMITED	Foreign corporation	2.39%	57,497,261	0	Pledged	0
					Frozen	0
HOLY TIME GROUP LIMITED	Foreign corporation	2.32%	55,971,924	0	Pledged	0
					Frozen	0
GAOLING FUND,L.P.	Foreign corporation	2.19%	52,801,250	0	Pledged	0
					Frozen	0
NAM NGAI	Foreign individual	0.97%	23,285,040	0	Pledged	0
					Frozen	0
CMS (HK) CO., LIMITED	State-owned corporation	0.96%	23,134,020	0	Pledged	0
					Frozen	0
CSI Capital Management Limited	Foreign corporation	0.83%	20,050,928	0	Pledged	0
					Frozen	0
Meng Diliang	Domestic individual	0.58%	13,888,883	0	Pledged	0
					Frozen	0
Nanhua Futures Co., Ltd. – Nanhua Futures Yinye No. 2 Asset Management Plan	Other	0.58%	13,871,001	0	Pledged	0
					Frozen	0

Shareholdings of top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Number
OCT ENTERPRISES CO.	523,746,932	RMB ordinary share	523,746,932
CITIC SECURITIES BROKERAG (HK)	182,100,202	Domestically	182,100,202

CO., LIMITED		listed foreign share	
GUOYUAN SECURITIES BROKERAG (HK) CO., LIMITED	57,497,261	Domestically listed foreign share	57,497,261
HOLY TIME GROUP LIMITED	55,971,924	Domestically listed foreign share	55,971,924
GAOLING FUND,L.P.	52,801,250	Domestically listed foreign share	52,801,250
NAM NGAI	23,285,040	Domestically listed foreign share	23,285,040
CMS (HK) CO., LIMITED	23,134,020	Domestically listed foreign share	23,134,020
CSI Capital Management Limited	20,050,928	Domestically listed foreign share	20,050,928
Meng Diliang	13,888,883	RMB ordinary share	13,888,883
Nanhua Futures Co., Ltd. – Nanhua Futures Yinye No. 2 Asset Management Plan	13,871,001	RMB ordinary share	13,871,001
Related or act-in-concert parties among the shareholders above	The wholly owned subsidiary Jialong Investment Co., Ltd. of the first majority shareholder OVERSEAS CHINESE TOWN ENTERPRISES CO. respectively hold the common share of the Company of 180,001,110 shares and 18,360,000 shares through CITIC SECURITIES BROKERAG (HK) CO., LIMITED and CMS (HK) CO., LIMITED, and Jialong Investment Co., Ltd. and OVERSEAS CHINESE TOWN ENTERPRISES CO. were persons acting in concert; the Company does not know whether the other shareholders are related parties and whether they are acting-in-concert parties.		
Top 10 ordinary shareholders conducting securities margin trading (if any)	A-share shareholder Mr. Meng Diliang held 13,888,883 shares through customer credit collateral securities trading account of Essence Securities Co., Ltd.		

Did any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conduct any promissory repo during the Reporting Period?

□ Yea √ No

No such cases in the Reporting Period.

2. Total number of preference shareholders and shareholdings of the top 10 of them at the period-end

□ Applicable √ Not applicable

Section III Significant Events

I Changes in main accounting statement items and financial indicators in the Reporting Period, as well as reasons for the changes

√ Applicable □ Not applicable

(I) Due to the double hits by the rising production cost caused by inflated panel prices since the second quarter and the low color TV prices as a result of the price battle among internet TV enterprises, the third quarter saw a decrease in the gross profit margin of our color TV business, causing some loss to the Company.

(II) In the Reporting Period, we pushed forward our Internet-oriented strategy:

1. We strengthened the domestic retail channel of our color TVs, put new medium and high-end products including the ultra-fast series of 91\81\8000 to the market and mass production in a speedy manner, and improved the domestic sale structure of our color TVs, with smart TVs with a user operation base once accounting for over 90% of our total domestic sales of color TVs.

2. In terms of overseas sales of our color TVs, we achieved a fast growth and better earnings through improving business team appointment on a geographical section basis, repeating the use of the R&D resources of domestically sold color TVs, strictly control costs, adopting a product differentiation strategy, etc.

3. Our smart TV operation business has become increasingly mature, which generates steady earnings and allows us to explore new profit models as our smart TV users grow.

(III) Changes in major financial indicators

Unit: RMB’0,000

Item	30 September 2016	31 December 2015	Change	Change (%)	Main reason for change
Long-term equity investment	27,953.30	19,057.35	8,895.95	46.68%	Shenzhen Konka Precision Mold Manufacturing Co., Ltd. and its subsidiaries were deconsolidated and restated as long-term equity investments measured at the equity method
Accounts received in advance	146,995.68	34,978.48	112,017.20	320.25%	Increase in advances from house buyers in the Shuiyue Zhouzhuang real estate project
Long-term borrowings	4,000.00	2,370.00	1,630.00	68.78%	Mainly for the increase in long-term borrowings of the parent company.
Item	January-September 2016	January-September 2015	Change	Change (%)	Main reason for change
Finance costs	10,150.89	28,058.11	-17,907.22	-63.82%	Decrease in exchange loss

II Progress on significant events, as well as the influence and solutions

√ Applicable □ Not applicable

(I) Urban renewal project of the headquarters factory of Konka Group: So far, the land use scheme drawing and the planning permit have been obtained. Received and Shenzhen urban planning and land resources Committee of Nanshan Shenzhen, issued under the authority of the proceeds of State-owned land use right transfer demand notice.

(II) Kunshan Shuiyue Zhouzhuang real estate project: The Phase I and Phase II residences have completed the construction and are selling while the Phase III residence is still in development.

(III)Progress of the private offering shares:the relevant proposals such as the Proposal on the Preplan for the Private Offering A Share of the Copmany had been reviewed and approved by the Board of Directors and Annual General Meeting with the reply from the SASAC. In present,Companies have submitted to the CSRC suspended the review of non-public offering of a shares of the company to apply for documents requests. As for the relevant contents of the private offering shares, please refer to the announcements of the company on http://www.cninfo.com.cn.

III Commitments of the Company, its shareholders, actual controller, acquirer, directors, supervisors, senior management or other related parties fulfilled in the Reporting Period or ongoing at the period-end

√ Applicable □ Not applicable

<table>
<tr><th>Commitment</th><th>Commitment maker</th><th>Type</th><th>Contents of commitment</th><th>Date of commitment</th><th>Period of commitment</th><th>Execution</th></tr>
<tr><td rowspan="2">Commitments at the time of initial public issuance or re-financing</td><td>Konka Group Co., Ltd.</td><td>Other commitment</td><td>The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the investors, those subsidiaries should burden the compensation responsibility.</td><td>12 Apr. 2016</td><td>Long-term</td><td>Being normally executing.</td></tr>
<tr><td>OCT Holdings Company</td><td>Other commitment</td><td>The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the investors, those subsidiaries should burden the compensation responsibility.</td><td>12 Apr. 2016</td><td>Long-term</td><td>Being normally executing.</td></tr>
<tr><td colspan="4">Executed timely or not?</td><td colspan="3">No</td></tr>
</table>

Detailed reason for failing to execute and the next plan (if any)	Not applicable

IV Performance forecast for Y2016

Warning of possible loss or considerable YoY change in the accumulative net profit made during the year-beginning to the end of the next reporting period, as well as the reasons

□ Applicable √ Not applicable

V Securities investment

√ Applicable □ Not applicable

Variety of securities	Code of securities	Name of securities	Initial investment cost (RMB)	Number of shares held at period-begin	Shareholding percentage at period-begin	Number of shares held at period-end	Shareholding percentage at period-end	Closing book value (RMB)	Gain/loss for reporting period (RMB)	Accounting title	Source of securities
Stock	300548	Jouder Precision	7,515.00	0	0%	500	0%	10,820.	0	Available-for-sale financial assets	New shares subscribed
Stock	002787	HYBZ	5,685.00	500	0%	0	0%	0	15,380.40	Available-for-sale financial assets	New shares subscription
Stock	300500	SZSJ	10,455.00	500	0%	0	0%	0	29,323.22	Available-for-sale financial assets	New shares subscription
Stock	000002	Vanke A	2,311,748.07	117,310	0%	0	0%	0	34,451.93	Available-for-sale financial assets	Additionally issue

											d shares subscribed
Other security investment held at period-end			0	0	--	0	--	0	0	--	--
Total			2,335,403.07	118,310	--	500	--	10,820	79,155.55	--	--
Disclosure date of the board announcement on securities investment approval			N/A								
Disclosure date of the general meeting announcement on securities investment approval (if any)			N/A								

VI Investment in derivative financial instruments

√ Applicable □ Not applicable

Capital source for derivative investment	USD financing
Cases involving lawsuit (if applicable)	N/A
Disclosure date of the board announcement approving the wealth management entrustment (if any)	2014-05-24
Disclosure date of the general meeting announcement approving the wealth management entrustment (if any)	2014-06-10
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	The derivative business that the Company worked on was the forward foreign exchange contract to reduce the fluctuation of exchange rate risk, the aforesaid conductions were closely related to the daily operation demand of the Company and confirmed to stipulation of relevant laws and regulations. The Company had set up Management Rules of Derivative Investment of Konka Group Co., Ltd. which definitely stipulated the review and approval procedure, risk control etc.. The Company had signed forward foreign exchange contract with Bank of China and other large banks which have stable operation, good credit normally can avoid the loss of forward foreign exchange contract due to bank failure.
Changes of market prices or fair values in the	The Company's calculation to fair value of derivative mainly was the undue

reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	contract of forward settlement traction the Company signed with the bank recognized as tradable financial assets or liabilities and correspondingly recognized profit or loss of change in fair value in line with the difference between the undue offer of forward foreign exchange settlement and future exchange rate agreed on the contract on balance sheet date provided by financial institution, the forward settlement exchange contract had lock exchange rate, thus, there was not existing change in fair value comparing settlement day to signing date.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	No significant change
Specific opinion from independent directors on the Company's derivatives investment and risk control	The events of Company through using financial instrument locked the cost of USD financing which can effectively reduce the risk of fluctuation exchange rate, with necessity, the Company had set up internal control rule of derivative investment and the risk control measures adopted focusing on risk was workable.

Unit: RMB'0,000

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Profit or loss in the Reporting Period	Proportion of closing investment amount in closing net assets of the Company
Forward foreign exchange contract	224,712.77	90,451.02	-1,169.28	32.90%

*Note: The profit on fair value changes of forward foreign exchange contracts signed in 2015 was recognized at RMB32.59 million at the end of 2015.

VII Visits paid to the Company for purposes of research, communication, interview, etc. during the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII Illegal provision of guarantees for external parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

IX Occupation of the Company's funds for non-operating purposes by the controlling shareholder and its related parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Section IV Financial Statements

I Financial statements

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

30 September 2016

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	2,337,841,428.54	1,706,446,928.92
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss	12,169,529.16	33,196,377.28
Derivative financial assets		
Notes receivable	2,640,066,762.99	2,880,860,750.44
Accounts receivable	2,408,690,571.43	2,048,813,439.34
Accounts paid in advance	813,037,373.23	193,664,620.66
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	6,512,262.43	7,426,409.52
Dividends receivable	10,171,609.48	
Other accounts receivable	154,284,283.07	160,165,779.82
Financial assets purchased under agreements to resell		
Inventories	2,703,102,308.84	2,882,515,913.28
Assets held for sale		
Non-current assets due within one year		
Other current assets	297,604,946.75	647,311,938.45
Total current assets	11,383,481,075.92	10,560,402,157.71
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	309,111,034.36	311,974,282.66

Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	279,533,041.26	190,573,524.29
Investment property	223,494,722.83	227,718,178.53
Fixed assets	1,591,437,641.86	1,763,503,189.50
Construction in progress	230,483,289.53	207,854,180.88
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	300,587,084.04	352,591,887.48
R&D expenses		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expenses	90,349,018.22	82,846,982.07
Deferred tax assets	662,986,755.98	549,305,508.01
Other non-current assets		
Total non-current assets	3,691,580,245.23	3,689,965,390.57
Total assets	15,075,061,321.15	14,250,367,548.28
Current liabilities:		
Short-term borrowings	4,261,398,930.97	4,150,773,195.76
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss	714,523.51	
Derivative financial liabilities		
Notes payable	1,667,206,013.01	929,176,857.06
Accounts payable	2,600,583,849.87	2,980,416,983.25
Accounts received in advance	1,469,956,813.23	349,784,807.32
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	246,880,557.06	279,631,258.71
Taxes and fares payable	116,170,394.28	92,097,951.90
Interest payable	20,536,636.28	20,552,763.14
Dividends payable		

Other accounts payable	1,555,819,545.16	1,550,931,573.35
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year	41,025.60	573,398,959.65
Other current liabilities		
Total current liabilities	11,939,308,288.97	10,926,764,350.14
Non-current liabilities:		
Long-term borrowings	40,000,000.00	23,700,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	30,102,564.14	30,133,333.37
Long-term payroll payable	19,157,119.19	23,435,856.86
Special payables		
Provisions	4,711,597.59	4,629,554.61
Deferred income	138,918,009.26	162,786,004.20
Deferred tax liabilities	7,417,135.74	3,468,031.97
Other non-current liabilities		
Total non-current liabilities	240,306,425.92	248,152,781.01
Total liabilities	12,179,614,714.89	11,174,917,131.15
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	80,899,084.39	78,209,535.19
Less: Treasury shares		
Other comprehensive income	-20,140,749.02	3,155,744.00
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Provisions for general risks		

Retained earnings	-567,167,239.97	-522,836,282.66
Equity attributable to owners of the Company	2,749,444,969.68	2,814,382,870.81
Minority interests	146,001,636.58	261,067,546.32
Total owners’ equity	2,895,446,606.26	3,075,450,417.13
Total liabilities and owners’ equity	15,075,061,321.15	14,250,367,548.28

Legal representative: Liu Fengxi Person-in-charge of the accounting work: Xu Youshan

Chief of the accounting division: Xu Youshan

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	780,847,924.80	502,899,530.83
Financial assets at fair value through profit/loss	12,169,529.16	7,184,035.29
Derivative financial assets		
Notes receivable	2,350,327,755.86	2,635,643,772.62
Accounts receivable	2,127,730,262.20	1,417,915,276.56
Accounts paid in advance	1,257,527,593.84	372,509,871.77
Interest receivable	9,939,670.23	14,901,123.48
Dividends receivable		
Other accounts receivable	1,698,481,522.19	938,447,798.08
Inventories	1,523,087,936.81	1,771,302,947.50
Assets held for sale		
Non-current assets due within one year		
Other current assets	224,446,785.72	530,272,796.83
Total current assets	9,984,558,980.81	8,191,077,152.96
Non-current assets:		
Available-for-sale financial assets	269,050,214.36	271,924,282.66
Held-to-maturity investments	300,000,000.00	352,000,000.00
Long-term accounts receivable		
Long-term equity investments	1,644,482,207.56	1,621,195,118.22
Investment property	223,494,722.83	227,718,178.53
Fixed assets	501,563,648.25	512,933,612.51

Construction in progress	14,001,547.72	12,619,010.21
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	87,621,310.55	88,336,594.02
R&D expenses		
Goodwill		
Long-term deferred expenses	63,535,302.46	57,865,790.98
Deferred tax assets	590,149,885.88	504,252,794.29
Other non-current assets		
Total non-current assets	3,693,898,839.61	3,648,845,381.42
Total assets	13,678,457,820.42	11,839,922,534.38
Current liabilities:		
Short-term borrowings	4,363,234,229.48	1,022,612,362.58
Financial liabilities at fair value through profit/loss	714,523.51	
Derivative financial liabilities		
Notes payable	1,339,954,200.08	377,002,860.08
Accounts payable	2,722,439,821.26	5,173,897,087.35
Accounts received in advance	321,694,180.11	251,204,710.89
Payroll payable	116,896,710.86	118,684,992.99
Taxes and fares payable	20,124,987.57	31,360,675.68
Interest payable	16,688,142.77	7,761,519.53
Dividends payable		
Other accounts payable	1,810,666,442.88	1,667,884,936.14
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	10,712,413,238.52	8,650,409,145.24
Non-current liabilities:		
Long-term borrowings	40,000,000.00	
Bonds payable		
Of which: Preference shares		
Perpetual bonds		

Long-term payables		
Long-term payroll payable		
Special payables		
Provisions	4,711,597.59	4,629,554.61
Deferred income	82,725,963.94	88,668,785.51
Deferred tax liabilities	2,863,751.41	1,935,167.63
Other non-current liabilities		
Total non-current liabilities	130,301,312.94	95,233,507.75
Total liabilities	10,842,714,551.46	8,745,642,652.99
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	49,195,156.54	46,505,607.34
Less: Treasury shares		
Other comprehensive income	303,868.87	1,803,252.77
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Retained earnings	-469,609,630.73	-209,882,853.00
Total owners' equity	2,835,743,268.96	3,094,279,881.39
Total liabilities and owners' equity	13,678,457,820.42	11,839,922,534.38

3. Consolidated income statement for the Reporting Period

Unit: RMB

Item	July-September 2016	July-September 2015
1. Operating revenues	6,008,160,392.02	4,900,151,931.72
Including: Sales income	6,008,160,392.02	4,900,151,931.72
Interest income		
Premium income		
Fee and commission income		
2. Operating costs	6,164,163,892.40	5,487,749,782.77
Including: Cost of sales	5,373,432,183.80	4,348,483,599.93
Interest expenses		

Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Business tax and surtaxes	11,154,354.58	23,436,891.68
Selling expenses	603,589,647.33	610,968,887.69
Administrative expenses	148,379,863.98	161,787,869.24
Finance costs	33,135,473.20	181,514,219.00
Asset impairment loss	-5,527,630.49	161,558,315.23
Add: Profit on fair value changes ("-" means loss)	-3,399,672.74	-23,744,128.23
Return on investment ("-" means loss)	35,392,521.44	4,976,331.44
Including: Share of profit/loss of associates and joint ventures	6,372,776.66	618,107.65
Exchange gains ("-" means loss)		
3. Operating profit ("-" means loss)	-124,010,651.68	-606,365,647.84
Add: Non-operating revenue	24,733,287.65	44,489,842.42
Including: Profit on disposal of non-current assets	15,335.65	532,417.97
Less: Non-operating expense	2,249,495.48	98,570,588.40
Including: Loss on disposal of non-current assets	195,730.08	5,456,264.40
4. Total profit ("-" means loss)	-101,526,859.51	-660,446,393.82
Less: Corporate income tax	-42,408,552.94	-106,637,412.14
5. Net profit ("-" means loss)	-59,118,306.57	-553,808,981.68
Net profit attributable to owners of the Company	-57,165,694.07	-555,256,040.41
Minority interests' income	-1,952,612.50	1,447,058.73
6. Other comprehensive income net of tax	-8,256,379.72	-6,081,942.57
Other comprehensive income net of tax attributable to owners of the Company	-8,137,854.78	-6,330,540.91
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	-8,137,854.78	-6,330,540.91

6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,440,103.75	-193,125.18
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences	-6,697,751.03	-6,137,415.73
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests	-118,524.94	248,598.34
7. Total comprehensive income	-67,374,686.29	-559,890,924.25
Attributable to owners of the Company	-65,303,548.85	-561,586,581.32
Attributable to minority interests	-2,071,137.44	1,695,657.07
8. Earnings per share		
8.1 Basic earnings per share	-0.0237	-0.2306
8.2 Diluted earnings per share	-0.0237	-0.2306

Where business mergers under the same control occurred in the Reporting Period, the net profit achieved by the merged parties before the business mergers was RMB0.00, with the corresponding amount for the last period being RMB0.00.

Legal representative: Liu Fengxi Person-in-charge of the accounting work: Xu Youshan

Chief of the accounting division: Xu Youshan

4. Income statement of the Company for the Reporting Period

Unit: RMB

Item	July-September 2016	July-September 2015
1. Operating revenues	3,617,192,362.26	3,764,448,066.71
Less: Operating costs	3,284,925,525.21	3,457,445,522.80
Business tax and surtaxes	3,790,230.21	14,017,425.60
Selling expenses	424,922,336.88	446,374,143.96
Administrative expenses	95,261,400.94	73,134,364.16
Finance costs	44,847,628.16	8,574,806.75
Asset impairment loss		144,809,651.76
Add: profit on fair value changes (“-” means loss)	-3,399,672.74	-5,092,763.02
Return on investment (“-” means loss)	37,453,620.68	12,337,259.03

Including: Share of profit/loss of associates and joint ventures	2,523,420.07	451,622.69
2. Operating profit ("-" means loss)	-202,500,811.20	-372,663,352.31
Add: Non-operating revenue	6,828,609.03	82,240,061.89
Including: Profit on disposal of non-current assets	-99,390.03	491,143.62
Less: Non-operating expense	1,746,185.21	91,042,240.83
Including: Loss on disposal of non-current assets	127,063.14	363,786.58
3. Total profit ("-" means loss)	-197,418,387.38	-381,465,531.25
Less: Corporate income tax	-49,196,799.99	-95,856,433.21
4. Net profit ("-" means loss)	-148,221,587.39	-285,609,098.04
5. Other comprehensive income net of tax	-2,140,403.86	-172,951.37
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss	-2,140,403.86	-172,951.37
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,442,913.00	-173,902.42
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences	-697,490.86	951.05
5.2.6 Other		
6. Total comprehensive income	-150,361,991.25	-285,782,049.41
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated income statement for the period from the year-beginning to the end of the Reporting Period

Unit: RMB

Item	January-September 2016	January-September 2015
1. Operating revenues	14,617,241,214.26	13,844,710,852.68

Including: Sales income	14,617,241,214.26	13,844,710,852.68
Interest income		
Premium income		
Fee and commission income		
2. Operating costs	14,905,733,137.33	14,861,414,808.15
Including: Cost of sales	12,551,157,276.22	12,139,699,400.50
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Business tax and surtaxes	67,304,296.12	52,146,898.35
Selling expenses	1,712,736,570.94	1,735,657,838.04
Administrative expenses	439,299,154.00	454,026,772.95
Finance costs	101,508,905.20	280,581,130.17
Asset impairment loss	33,726,934.85	199,302,768.14
Add: Profit on fair value changes ("-" means loss)	-21,541,328.13	-23,744,128.23
Return on investment ("-" means loss)	45,978,903.06	12,161,785.57
Including: Share of profit/loss of associates and joint ventures	-1,158,799.02	-4,399,219.21
Exchange gains ("-" means loss)		
3. Operating profit ("-" means loss)	-264,054,348.14	-1,028,286,298.13
Add: Non-operating revenue	178,920,950.29	113,913,005.97
Including: Profit on disposal of non-current assets	3,162,497.32	673,192.87
Less: Non-operating expense	5,780,513.84	101,792,892.55
Including: Loss on disposal of non-current assets	813,295.65	6,789,889.20
4. Total profit ("-" means loss)	-90,913,911.69	-1,016,166,184.71
Less: Corporate income tax	-41,702,555.84	-157,739,031.34
5. Net profit ("-" means loss)	-49,211,355.85	-858,427,153.37
Net profit attributable to owners of the Company	-44,330,957.31	-852,209,547.80
Minority interests' income	-4,880,398.54	-6,217,605.57
6. Other comprehensive income net of tax	-23,696,604.49	-4,949,439.26
Other comprehensive income net of tax attributable to owners of the Company	-23,296,493.02	-5,565,508.37

6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	-23,296,493.02	-5,565,508.37
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,441,978.75	-102,939.53
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences	-21,854,514.27	-5,462,568.84
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests	-400,111.47	616,069.11
7. Total comprehensive income	-72,907,960.34	-863,376,592.63
Attributable to owners of the Company	-67,627,450.33	-857,775,056.17
Attributable to minority interests	-5,280,510.01	-5,601,536.46
8. Earnings per share		
8.1 Basic earnings per share	-0.0184	-0.3539
8.2 Diluted earnings per share	-0.0184	-0.3539

Where business mergers under the same control occurred in the current period, the net profit achieved by the merged parties before the business mergers was RMB0.00, with the corresponding amount for the same period of last year being RMB0.00.

6. Income statement of the Company for the period from the year-beginning to the end of the Reporting Period

Unit: RMB

Item	January-September 2016	January-September 2015
1. Operating revenues	10,063,172,900.42	11,554,014,201.79
Less: Operating costs	8,923,684,652.89	10,496,844,522.12
Business tax and surtaxes	24,999,390.73	28,491,852.52
Selling expenses	1,233,429,048.82	1,256,234,984.04
Administrative expenses	248,111,963.10	226,533,974.27

Finance costs	117,670,481.29	19,791,369.45
Asset impairment loss	24,699,388.50	162,892,130.89
Add: profit on fair value changes ("-" means loss)	4,270,970.36	-5,092,763.02
Return on investment ("-" means loss)	58,081,642.80	51,710,055.96
Including: Share of profit/loss of associates and joint ventures	6,636,136.04	-1,091,608.11
2. Operating profit ("-" means loss)	-447,069,411.75	-590,157,338.56
Add: Non-operating revenue	105,453,118.72	121,990,873.72
Including: Profit on disposal of non-current assets	164,913.82	570,056.11
Less: Non-operating expense	2,935,780.09	92,568,471.71
Including: Loss on disposal of non-current assets	272,185.91	1,267,293.26
3. Total profit ("-" means loss)	-344,552,073.12	-560,734,936.55
Less: Corporate income tax	-84,825,295.39	-142,805,501.78
4. Net profit ("-" means loss)	-259,726,777.73	-417,929,434.77
5. Other comprehensive income net of tax	-1,499,383.90	-101,988.47
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss	-1,499,383.90	-101,988.47
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,444,788.00	-102,939.52
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences	-54,595.90	951.05
5.2.6 Other		
6. Total comprehensive income	-261,226,161.63	-418,031,423.24
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

7. Consolidated cash flow statement for the period from the year-beginning to the end of the Reporting Period

Unit: RMB

Item	January-September 2016	January-September 2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	15,184,869,339.34	13,985,879,580.25
Net increase in money deposits from customers and interbank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	272,927,227.76	335,357,120.11
Cash received from other operating activities	339,356,257.44	323,220,047.69
Subtotal of cash inflows from operating activities	15,797,152,824.54	14,644,456,748.05
Cash paid for goods and services	13,509,836,467.28	10,903,464,117.59
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	1,255,016,825.23	1,315,880,285.54
Taxes and fares paid	533,287,050.15	400,440,616.35
Cash paid for other operating activities	909,591,033.01	883,649,538.18
Subtotal of cash outflows from operating activities	16,207,731,375.67	13,503,434,557.66
Net cash flows from operating activities	-410,578,551.13	1,141,022,190.39
2. Cash flows from investing activities:		
Cash received from retraction of investments	12,351,724.03	144,985,946.85

Cash received as return on investments	29,084,576.02	17,924,800.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	349,958.28	2,578,218.68
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities	9,238,481,232.27	3,424,314,849.00
Subtotal of cash inflows from investing activities	9,280,267,490.60	3,589,803,814.91
Cash paid to acquire fixed assets, intangible assets and other long-term assets	106,682,158.73	191,731,495.42
Cash paid for investment	6,017,970.00	78,300,427.00
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	8,861,934,225.29	3,387,601,232.07
Subtotal of cash outflows from investing activities	8,974,634,354.02	3,657,633,154.49
Net cash flows from investing activities	305,633,136.58	-67,829,339.58
3. Cash flows from financing activities:		
Cash received from capital contributions	9,817,738.00	71,253,725.44
Including: Cash received from minority shareholder investments by subsidiaries	9,817,738.00	71,253,725.44
Cash received as borrowings	3,366,615,353.71	2,475,961,527.30
Cash received from issuance of bonds		
Cash received from other financing activities	1,114,445,232.65	116,254,909.74
Subtotal of cash inflows from financing activities	4,490,878,324.36	2,663,470,162.48
Repayment of borrowings	3,545,455,084.37	2,142,528,825.32
Cash paid for interest expenses and distribution of dividends or profit	81,880,268.08	104,782,035.89
Including: dividends or profit paid by subsidiaries to minority interests		
Cash paid for other financing activities	45,886,956.93	160,167,712.58
Sub-total of cash outflows from financing activities	3,673,222,309.38	2,407,478,573.79
Net cash flows from financing activities	817,656,014.98	255,991,588.69
4. Effect of foreign exchange rate changes on cash and cash equivalents	24,344,476.24	-26,171,931.83
5. Net increase in cash and cash equivalents	737,055,076.67	1,303,012,507.67
Add: Opening balance of cash and cash equivalents	1,488,154,851.35	1,640,236,837.08
6. Closing balance of cash and cash equivalents	2,225,209,928.02	2,943,249,344.75

8. Cash flow statement of the Company for the period from the year-beginning to the end of the Reporting Period

Unit: RMB

Item	January-September 2016	January-September 2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	8,538,983,012.64	9,728,289,659.91
Tax refunds received	126,233,515.53	171,735,060.92
Cash received from other operating activities	1,356,473,038.10	1,561,565,595.45
Subtotal of cash inflows from operating activities	10,021,689,566.27	11,461,590,316.28
Cash paid for goods and services	9,762,065,352.00	8,210,914,476.56
Cash paid to and for employees	702,251,202.16	705,264,163.09
Taxes and fares paid	233,896,365.68	134,399,486.02
Cash paid for other operating activities	2,520,362,805.93	1,456,823,738.53
Subtotal of cash outflows from operating activities	13,218,575,725.77	10,507,401,864.20
Net cash flows from operating activities	-3,196,886,159.50	954,188,452.08
2. Cash flows from investing activities:		
Cash received from retraction of investments	2,317,433.07	130,093,919.85
Cash received as return on investments	33,915,695.73	31,784,264.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	313,107.85	57,414,081.68
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities	9,138,291,591.96	3,087,884,590.00
Subtotal of cash inflows from investing activities	9,174,837,828.61	3,307,176,856.37
Cash paid to acquire fixed assets, intangible assets and other long-term assets	17,959,270.01	37,606,302.33
Cash paid for investment	14,016,000.00	191,751,411.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	9,140,572,463.21	3,454,884,590.00
Subtotal of cash outflows from investing activities	9,172,547,733.22	3,684,242,303.33
Net cash flows from investing activities	2,290,095.39	-377,065,446.96
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings	4,081,439,101.51	61,422,000.00
Cash received from issuance of bonds		

Cash received from other financing activities	22,940,000.00	634,734,396.24
Subtotal of cash inflows from financing activities	4,104,379,101.51	696,156,396.24
Repayment of borrowings	244,827,402.55	
Cash paid for interest expenses and distribution of dividends or profit	41,121,454.13	11,608,876.32
Cash paid for other financing activities	335,822,516.60	1,067,804,525.32
Sub-total of cash outflows from financing activities	621,771,373.28	1,079,413,401.64
Net cash flows from financing activities	3,482,607,728.23	-383,257,005.40
4. Effect of foreign exchange rate changes on cash and cash equivalents	11,304,902.99	-2,694,776.40
5. Net increase in cash and cash equivalents	299,316,567.11	191,171,223.32
Add: Opening balance of cash and cash equivalents	478,267,624.53	991,459,790.62
6. Closing balance of cash and cash equivalents	777,584,191.64	1,182,631,013.94

II Auditor's report

Is this Report audited?

□ Yes √ No

This Report is unaudited.

The Board of Directors

Konka Group Co., Ltd.

28 October 2016