

KONKA GROUP CO., LTD.
THIRD QUARTER REPORT 2018

2018-83

October 2018

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. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires) 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 Consolidated Financial Information

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

Yes No

	30 September 2018	31 December 2017	Change (%)	
Total assets (RMB)	31,459,422,268.91	23,558,735,469.78	33.54%	
Equity attributable to the listed company's shareholders (RMB)	8,015,667,877.14	7,994,145,476.61	0.27%	
	Q3 2018	YoY change (%)	Q1-Q3 2018	YoY change (%)
Operating revenue (RMB)	12,136,315,129.29	38.58%	29,761,729,899.11	47.60%
Net profit attributable to the listed company's shareholders (RMB)	88,041,649.48	-10.14%	429,834,688.51	233.60%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	-202,316,654.64	-487.53%	-503,187,267.44	-537.82%
Net cash generated from/used in operating activities (RMB)	--	--	-2,896,984,300.56	18.68%
Basic earnings per share (RMB/share)	0.0366	-10.07%	0.1785	233.64%
Diluted earnings per share (RMB/share)	0.0366	-10.07%	0.1785	233.64%
Weighted average return on equity (%)	1.10%	-2.21%	5.24%	0.91%

Exceptional gains and losses:

Applicable Not applicable

Unit: RMB

Item	Q1-Q3 2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	207,054,203.32	
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 government's uniform standards)	157,182,395.52	
Gain or loss on investments or assets entrusted to other entities for management	146,587,621.83	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment	25,624,758.24	

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)		
Gain or loss on loan entrustments	984,930.51	
Non-operating income and expense other than above	25,052,366.37	
Other gains and losses that meet definition of exceptional gain/loss	543,741,891.45	
Less: Income tax effects	96,238,978.51	
Non-controlling interests effects (net of tax)	76,967,232.78	
Total	933,021,955.95	--

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	45,548,282.80	Recurrent 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 30 September 2018

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	88,816	Number of preferred shareholders with resumed voting rights (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding 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 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	Foreign legal person	2.25%	54,203,779	0		

BROKER (HK) CO., LTD.	person				
GAOLING FUND,L.P.	Foreign legal person	2.19%	52,801,250	0	
ZHANG XIAOYU	Domestic natural person	0.95%	22,803,978	0	
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.93%	22,485,024	0	
NAM NGAI	Foreign natural person	0.90%	21,712,140	0	
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	Other	0.88%	21,145,380	0	
WANG LEI	Domestic natural person	0.82%	19,811,420	0	

Top 10 unrestricted shareholders

Name of shareholder	Unrestricted shares	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	22,803,978	RMB-denominated ordinary stock	22,803,978
CHINA MERCHANTS SECURITIES (HK) LIMITED	22,485,024	Domestically listed foreign stock	22,485,024
NAM NGAI	21,712,140	Domestically listed foreign stock	21,712,140

YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	21,145,380	RMB-denominated ordinary stock	21,145,380
WANG LEI	19,811,420	RMB-denominated ordinary stock	19,811,420
Related or acting-in-concert parties among shareholders above	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 common shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or acting-in-concert parties or not.		
Top 10 ordinary shareholders involved in securities margin trading (if any)	Zhang Xiaoyu holds 22,803,978 A-shares in the Company through her account of collateral securities for margin trading in Huaxi Securities Co., Ltd. Wang Lei holds 19,811,420 A-shares in the Company through his account of collateral securities for margin trading in GF 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 Selected Consolidated Financial Statement Line Items and Explanation of why

√ Applicable □ Not applicable

(I) During the Reporting Period, with “Technology + Industry + Urbanization” as the development direction, the Company proactively carried out a medium- and long-term strategic development plan featuring “One Centric Orientation, Two Development Paths, Three Development Strategies and Four Business Groups”. Based on its consumer electronics business (color TVs, white goods and mobile phones), the Company gradually extends towards strategic emerging industries, the technology park industry as well as the Internet service and supply chain management sectors. As a result, four major collaborating business groups—the technology park business group, the industrial product business group, the platform service business group and the investment & finance business group—have taken shape. Among these, the environmental protection and new material businesses have been put in place, and the supply chain management and Internet service businesses see expanding scales and stronger profitability due to further business model refinements.

(II) Exceptional items have an effect of RMB933 million on the consolidated net profit achieved during the nine months ended 30 September 2018.

(III) Changes in Selected Consolidated Financial Statement Line Items

Unit: RMB'0,000 (in RMB ten thousand yuan)

Item	30 September 2018	31 December 2017	Change	Change (%)	Main reason for change
Financial assets at fair value through profit or loss	2,319.85	29.68	2,290.17	7,716.21%	Changes in the fair value of forward forex contracts
Accounts receivable	477,097.15	344,309.59	132,787.56	38.57%	higher revenue
Goodwill	86,441.84	359.77	86,082.07	23,926.97%	Acquisition of 51% equity interests in Shandong Econ Technology Co., Ltd., GuangDong XingDa HongYe Electronic Co., Ltd. and Jiangxi Konka New Material Technology Co., Ltd.
Item	Q1~Q3 2018	Q1~Q3 2017	Change	Change (%)	Main reason for change
Operating revenue	2,976,172.99	2,016,361.90	959,811.09	47.60%	Rapid growth in emerging businesses
Cost of sales	2,806,358.27	1,803,304.05	1,003,054.22	55.62%	Rapid growth in emerging businesses

Gain on changes in fair value	6,994.07	-13,667.72	20,661.79	151.17%	Changes in the fair value of forward forex contracts
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II Progress, Influence and Solutions Associated with Significant Events

Applicable Not applicable

(I) Regarding the strategic cooperation agreement with the Chuzhou municipal government, so far, the Technological Innovation Centre Phase II project has won the bid for the target land, and the other projects are still under negotiation.

(II) In terms of the private placement of corporate bonds, the no-objection letter stating the compliance of the private placement with the transfer conditions has been received from the Shenzhen Stock Exchange. And the commercial factoring securitization and the securitization of accounts receivable are under review by the Shenzhen Stock Exchange.

Announcement on significant event	Disclosure date	Website link to announcement
Announcement on Signing a Strategic Cooperation Agreement with Shenzhen Binhai Fund Management Co., Ltd.	2018-9-26	http://www.cninfo.com.cn/finalpage/2018-09-26/1205464322.PDF
Announcement on the Completion of the Registration of a Private Equity Fund Set up by the Company for M&As	2018-9-7	http://www.cninfo.com.cn/finalpage/2018-09-07/1205418780.PDF
Reminder of the Nanjing K-Star Cloud Network Headquarters to Be Established	2018-8-14	http://www.cninfo.com.cn/finalpage/2018-08-14/1205282245.PDF
Reminder of the Zibo High-End Equipment Industrial Park to Be Established	2018-8-14	http://www.cninfo.com.cn/finalpage/2018-08-14/1205282322.PDF
Announcement on a Joint Stock Company Winning the Bid for Land Use Right	2018-8-11	http://www.cninfo.com.cn/finalpage/2018-08-11/1205274958.PDF
Announcement on Progress of the Transfer of the 51% Stake in Kunshan Kangsheng	2018-7-3	http://www.cninfo.com.cn/finalpage/2018-07-03/1205112552.PDF

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

Applicable Not applicable

No such cases in the Reporting Period.

IV 2018 Annual Operating Performance Forecast

Warning of a forecast loss on or a forecast significant year-on-year change in net profit for year 2018, as well as explanation of why:

Applicable Not applicable

V Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

VI Wealth Management Entrustment

Applicable Not applicable

Unit: RMB'0,000

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Wealth management product purchased from trust company	Self-funded	0	74,350	0
Wealth management product purchased from bank	Self-funded	0	2,000	0
Total		0	76,350	0

High-risk wealth management entrustments with amounts that are individually significant, or with low security, low liquidity, or no protection of the principal:

Applicable Not applicable

Wealth management entrustments with possible impairments including an expectedly unrecoverable principal:

Applicable Not applicable

VII Investments in Derivative Financial Instruments

Applicable Not applicable

Funding source	U.S. dollar financings
Legal matters involved (if applicable)	N/A
Disclosure date of board announcement approving derivative investment (if any)	24 May 2014
Disclosure date of general meeting approving	10 June 2014

derivative investment (if any)	
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.
Major 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 foreign exchange contract	74,021.85	78,363.14	3,082.14	9.78%

VIII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

IX Irregularities in Provision of Guarantees for External Parties

Applicable Not applicable

No such cases in the Reporting Period.

X Occupation of the Company's Capital by 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.

30 September 2018

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	4,076,675,667.50	3,212,044,851.08
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	23,198,545.84	296,799.53
Derivative financial assets		
Notes and accounts receivable	8,340,316,638.21	8,621,764,935.49
Including: Notes receivable	3,569,345,113.63	5,178,668,988.23
Accounts receivable	4,770,971,524.58	3,443,095,947.26
Prepayments	1,271,782,723.99	467,123,091.74
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	928,237,545.58	184,218,356.16
Financial assets purchased under resale agreements		
Inventories	5,833,561,767.43	4,690,363,565.53
Assets classified as held for sale		
Current portion of non-current assets	2,844,117.50	
Other current assets	1,546,759,137.20	1,715,326,868.81
Total current assets	22,023,376,143.25	18,891,138,468.34
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	873,112,236.33	712,170,399.09
Held-to-maturity investments		
Long-term receivables	706,595,979.87	

Long-term equity investments	2,417,508,165.57	1,319,987,343.74
Investment property	212,232,174.29	216,455,629.99
Fixed assets	2,305,024,733.93	1,587,170,348.35
Construction in progress	790,894,726.10	135,863,821.01
Productive living assets		
Oil and gas assets		
Intangible assets	498,801,019.69	205,057,773.69
R&D expense		
Goodwill	864,418,367.99	3,597,657.15
Long-term prepaid expense	109,741,833.73	150,060,937.30
Deferred income tax assets	586,195,079.79	307,942,263.12
Other non-current assets	71,521,808.37	29,290,828.00
Total non-current assets	9,436,046,125.66	4,667,597,001.44
Total assets	31,459,422,268.91	23,558,735,469.78
Current liabilities:		
Short-term borrowings	12,159,913,288.77	6,927,472,037.35
Borrowings from central bank		
Customer deposits and interbank deposits		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	443,528.00	47,482,470.50
Derivative financial liabilities		
Notes and accounts payable	4,366,053,416.81	4,153,391,578.68
Advances from customers	927,567,645.90	640,510,784.17
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	281,181,764.05	291,370,297.67
Taxes payable	268,099,904.56	1,326,569,094.53
Other payables	2,572,819,506.51	1,644,083,269.81
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	12,135,739.84	374,358.99

Other current liabilities		
Total current liabilities	20,588,214,794.44	15,031,253,891.70
Non-current liabilities:		
Long-term borrowings	523,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables	724,238,969.59	61,538.46
Long-term payroll payable	10,169,777.94	13,361,821.86
Provisions	288,634.49	6,181,865.10
Deferred income	115,789,446.71	130,049,911.87
Deferred income tax liabilities	58,033,748.68	12,636,633.40
Other non-current liabilities		
Total non-current liabilities	1,431,520,577.41	329,291,770.69
Total liabilities	22,019,735,371.85	15,360,545,662.39
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	104,732,242.30	104,732,242.30
Less: Treasury stock		
Other comprehensive income	-14,527,694.38	3,697,458.95
Specific reserve		
Surplus reserves	1,217,644,874.79	1,217,644,874.79
General reserve		
Retained earnings	4,299,873,046.43	4,260,125,492.57
Total equity attributable to owners of the Company as the parent	8,015,667,877.14	7,994,145,476.61
Non-controlling interests	1,424,019,019.92	204,044,330.78
Total owners' equity	9,439,686,897.06	8,198,189,807.39
Total liabilities and owners' equity	31,459,422,268.91	23,558,735,469.78

Legal representative: Liu Fengxi

Chief Financial Officer: Li Chunlei

Head of financial department: Feng Junxiu

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	1,775,589,124.86	1,760,838,390.83
Financial assets at fair value through profit or loss	23,198,545.84	296,799.53
Derivative financial assets		
Notes and accounts receivable	10,501,092,995.23	7,596,218,302.24
Including: Notes receivable	1,827,449,083.56	2,864,064,309.99
Accounts receivable	8,673,643,911.67	4,732,153,992.25
Prepayments	1,961,297,504.54	1,066,260,182.37
Other receivables	4,048,187,670.10	4,341,467,382.86
Inventories	311,558,704.81	2,090,697,937.23
Assets classified as held for sale		
Current portion of non-current assets		100,000,000.00
Other current assets	878,813,025.79	1,547,454,872.74
Total current assets	19,499,737,571.17	18,503,233,867.80
Non-current assets:		
Available-for-sale financial assets	565,612,236.33	562,612,236.33
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,327,019,276.57	2,649,074,424.45
Investment property	212,232,174.29	216,455,629.99
Fixed assets	467,865,515.67	482,020,892.58
Construction in progress	99,387,467.10	79,927,345.88
Productive living assets		
Oil and gas assets		
Intangible assets	90,780,033.00	91,718,400.70
R&D expense		
Goodwill		
Long-term prepaid expense	83,593,443.35	78,305,555.97
Deferred income tax assets	473,094,215.80	279,324,511.96
Other non-current assets	20,000,000.00	20,000,000.00
Total non-current assets	7,339,584,362.11	4,459,438,997.86
Total assets	26,839,321,933.28	22,962,672,865.66
Current liabilities:		

Short-term borrowings	7,364,190,141.56	3,269,730,888.60
Financial liabilities at fair value through profit or loss	443,528.00	47,482,470.50
Derivative financial liabilities		
Notes and accounts payable	8,792,773,028.90	8,561,630,481.98
Advances from customers	330,530,942.86	601,036,147.76
Payroll payable	153,454,774.54	163,066,135.71
Taxes payable	92,860,929.35	1,070,771,570.12
Other payables	2,413,839,215.18	1,918,409,927.12
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	19,148,092,560.39	15,632,127,621.79
Non-current liabilities:		
Long-term borrowings	285,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions	288,634.49	6,181,865.10
Deferred income	85,485,533.22	94,590,560.82
Deferred income tax liabilities	30,015,322.73	
Other non-current liabilities		
Total non-current liabilities	400,789,490.44	267,772,425.92
Total liabilities	19,548,882,050.83	15,899,900,047.71
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	111,525,163.22	111,525,163.22
Less: Treasury stock		
Other comprehensive income	-1,646,283.60	-1,970,304.62
Specific reserve		

Surplus reserves	1,217,644,874.79	1,217,644,874.79
Retained earnings	3,554,970,720.04	3,327,627,676.56
Total owners' equity	7,290,439,882.45	7,062,772,817.95
Total liabilities and owners' equity	26,839,321,933.28	22,962,672,865.66

3. Consolidated Income Statement for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Revenue	12,136,315,129.29	8,757,653,006.20
Including: Operating revenue	12,136,315,129.29	8,757,653,006.20
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	12,513,181,900.60	8,752,019,700.99
Including: Cost of sales	11,621,326,279.61	7,922,849,249.06
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	22,256,789.30	71,791,544.49
Selling expense	511,335,968.05	510,030,189.59
Administrative expense	194,171,683.61	94,181,249.13
R&D expense	89,738,422.31	69,036,697.70
Finance costs	68,240,652.10	86,178,068.83
Including: Interest expense	266,966,287.29	115,236,884.80
Interest income	98,892,687.14	30,063,671.03
Asset impairment loss	6,112,105.62	-2,047,297.81
Add: Other income	141,693,252.31	8,824,888.51
Investment income ("-" for loss)	270,593,341.32	108,748,021.30
Including: Share of profit or loss of joint ventures and associates	7,581,610.96	-5,172,588.27
Gain on changes in fair value ("-" for loss)	10,085,276.33	-33,599,441.19
Foreign exchange gain ("-" for loss)		

Asset disposal income (“-” for loss)	-147,012.51	
3. Operating profit (“-” for loss)	45,358,086.14	89,606,773.83
Add: Non-operating income	15,634,997.65	32,615,396.90
Less: Non-operating expense	5,920,162.45	5,496,656.85
4. Profit before tax (“-” for loss)	55,072,921.34	116,725,513.88
Less: Income tax expense	-115,426,383.66	16,307,135.59
5. Net profit (“-” for net loss)	170,499,305.00	100,418,378.29
5.1 Net profit from continuing operations (“-” for net loss)		
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	88,041,649.48	97,974,481.26
Net profit attributable to non-controlling interests	82,457,655.52	2,443,897.03
6. Other comprehensive income, net of tax	-12,097,422.41	6,030,691.93
Attributable to owners of the Company as the parent	-13,373,312.59	6,042,757.71
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-13,373,312.59	6,042,757.71
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets		21,330.65
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	-13,373,312.59	6,021,427.06
6.2.6 Other		
Attributable to non-controlling interests	1,275,890.18	-12,065.78
7. Total comprehensive income	158,401,882.59	106,449,070.22
Attributable to owners of the Company as the parent	74,668,336.89	104,017,238.97
Attributable to non-controlling interests	83,733,545.70	2,431,831.25
8. Earnings per share		
8.1 Basic earnings per share	0.0366	0.0407

8.2 Diluted earnings per share	0.0366	0.0407
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Legal representative: Liu Fengxi

Chief Financial Officer: Li Chunlei

Head of financial department: Feng Junxiu

4. Income Statement of the Company as the Parent for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Operating revenue	4,440,642,646.78	3,637,822,430.85
Less: Cost of sales	4,461,216,408.91	3,285,464,737.51
Taxes and surcharges	3,290,938.91	6,078,418.20
Selling expense	318,949,025.34	369,047,354.26
Administrative expense	116,016,183.63	48,517,847.59
R&D expense	26,533,247.55	56,834,001.84
Finance costs	42,077,470.06	84,765,740.63
Including: Interest expense	157,525,819.04	102,050,421.87
Interest income	47,340,463.92	26,722,362.75
Asset impairment loss		
Add: Other income	37,349,655.22	5,955,256.85
Investment income ("-" for loss)	282,414,798.36	91,017,958.19
Including: Share of profit or loss of joint ventures and associates	-7,560,003.70	-4,372,739.06
Gain on changes in fair value ("-" for loss)	10,085,276.33	-47,067,901.39
Asset disposal income ("-" for loss)	607.74	
2. Operating profit ("-" for loss)	-197,590,289.97	-162,980,355.53
Add: Non-operating income	966,927.34	8,944,099.57
Less: Non-operating expense	285,098.31	1,422,633.94
3. Profit before tax ("-" for loss)	-196,908,460.94	-155,458,889.90
Less: Income tax expense	-77,096,924.08	-45,753,296.57
4. Net profit ("-" for net loss)	-119,811,536.86	-109,705,593.33
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	-476,538.62
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		

5.2 Items that may subsequently be reclassified to profit or loss	5,222,526.42	-476,538.62
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	4,296,185.76	
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements	926,340.66	-476,538.62
5.2.6 Other		
6. Total comprehensive income	-114,589,010.44	-110,182,131.95
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Income Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Revenue	29,761,729,899.11	20,163,618,985.63
Including: Operating revenue	29,761,729,899.11	20,163,618,985.63
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	30,546,938,674.14	20,247,905,896.83
Including: Cost of sales	28,063,582,724.87	18,033,040,507.13
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	49,903,363.92	106,221,136.53
Selling expense	1,614,517,042.56	1,484,033,496.13
Administrative expense	421,990,456.18	261,536,322.23

R&D expense	226,747,319.07	165,789,725.57
Finance costs	104,533,561.51	197,060,964.29
Including: Interest expense	495,028,664.94	281,156,133.12
Interest income	238,028,339.28	91,651,593.91
Asset impairment loss	65,664,206.03	223,744.95
Add: Other income	264,719,535.81	45,663,280.02
Investment income (“-” for loss)	802,351,913.03	175,753,593.36
Including: Share of profit or loss of joint ventures and associates	13,656,793.55	-9,746,882.46
Gain on changes in fair value (“-” for loss)	69,940,688.81	-136,677,198.92
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)	63,575,092.87	
3. Operating profit (“-” for loss)	415,378,455.49	452,763.26
Add: Non-operating income	42,852,490.62	155,962,505.19
Less: Non-operating expense	11,871,912.02	9,132,194.96
4. Profit before tax (“-” for loss)	446,359,034.09	147,283,073.49
Less: Income tax expense	-132,872,432.79	12,468,362.62
5. Net profit (“-” for net loss)	579,231,466.88	134,814,710.87
5.1 Net profit from continuing operations (“-” for net loss)		
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	429,834,688.51	128,845,749.12
Net profit attributable to non-controlling interests	149,396,778.37	5,968,961.75
6. Other comprehensive income, net of tax	-16,498,381.12	3,804,131.34
Attributable to owners of the Company as the parent	-18,225,153.33	3,793,051.23
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-18,225,153.33	3,793,051.23
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-31,342.08	-11,326,667.93
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		

6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	-18,193,811.25	15,119,719.16
6.2.6 Other		
Attributable to non-controlling interests	1,726,772.21	11,080.11
7. Total comprehensive income	562,733,085.76	138,618,842.21
Attributable to owners of the Company as the parent	411,609,535.18	132,638,800.35
Attributable to non-controlling interests	151,123,550.58	5,980,041.86
8. Earnings per share		
8.1 Basic earnings per share	0.1785	0.0535
8.2 Diluted earnings per share	0.1785	0.0535

6. Income Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Operating revenue	10,997,211,162.08	9,910,535,075.58
Less: Cost of sales	10,419,241,341.62	8,729,304,645.07
Taxes and surcharges	13,586,744.27	16,947,221.66
Selling expense	1,115,535,743.30	1,080,921,951.42
Administrative expense	241,930,804.62	138,351,880.64
R&D expense	128,379,273.19	155,310,598.70
Finance costs	188,923,238.66	212,325,826.30
Including: Interest expense	445,544,643.70	297,300,342.27
Interest income	160,404,469.05	69,627,939.33
Asset impairment loss	36,873,991.62	2,244,928.43
Add: Other income	79,741,765.34	32,371,847.25
Investment income ("-" for loss)	1,441,862,076.64	168,781,887.76
Including: Share of profit or loss of joint ventures and associates	5,680,179.60	-10,868,433.24
Gain on changes in fair value ("-" for loss)	69,940,688.81	-110,323,281.75
Asset disposal income ("-" for loss)	19,557.06	
2. Operating profit ("-" for loss)	444,304,112.65	-334,041,523.38
Add: Non-operating income	14,841,432.79	55,898,870.46
Less: Non-operating expense	5,725,462.45	4,011,872.35
3. Profit before tax ("-" for loss)	453,420,082.99	-282,154,525.27
Less: Income tax expense	-164,010,095.13	-83,867,535.94

4. Net profit (“-” for net loss)	617,430,178.12	-198,286,989.33
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	5,546,547.44	-12,284,652.66
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	5,546,547.44	-12,284,652.66
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	4,296,185.76	-11,358,312.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements	1,250,361.68	-926,340.66
5.2.6 Other		
6. Total comprehensive income	622,976,725.56	-210,571,641.99
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

7. Consolidated Cash Flow Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	24,472,986,972.47	12,987,769,338.60
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		

Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	312,128,742.81	130,863,528.45
Cash generated from other operating activities	2,865,828,267.19	2,759,126,679.00
Subtotal of cash generated from operating activities	27,650,943,982.47	15,877,759,546.05
Payments for commodities and services	24,117,693,794.31	11,185,702,814.55
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	1,235,221,504.02	713,115,942.78
Taxes paid	1,593,043,900.48	1,158,672,182.51
Cash used in other operating activities	3,601,969,084.22	3,967,958,429.50
Subtotal of cash used in operating activities	30,547,928,283.03	17,025,449,369.34
Net cash generated from/used in operating activities	-2,896,984,300.56	-1,147,689,823.29
2. Cash flows from investing activities:		
Proceeds from disinvestment	45,531,154.28	224,007,998.00
Investment income	100,982,942.46	111,276,583.85
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	1,851,025.13	172,255.79
Net proceeds from disposal of subsidiaries or other business units	141,294,742.26	
Cash generated from other investing activities	1,392,285,000.00	1,564,279,083.79
Subtotal of cash generated from investing activities	1,681,944,864.13	1,899,735,921.43
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	267,022,282.19	72,123,850.33
Payments for investments	450,546,156.00	2,022,767,387.50
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units	927,532,476.11	
Cash used in other investing activities	774,880,000.00	922,780,798.39
Subtotal of cash used in investing activities	2,419,980,914.30	3,017,672,036.22
Net cash generated from/used in investing activities	-738,036,050.17	-1,117,936,114.79

3. Cash flows from financing activities:		
Capital contributions received	189,790,594.60	
Including: Capital contributions by non-controlling interests to subsidiaries	189,790,594.60	
Increase in borrowings obtained	11,340,498,767.13	4,899,799,364.16
Net proceeds from issuance of bonds		
Cash generated from other financing activities	1,023,076.93	
Subtotal of cash generated from financing activities	11,531,312,438.66	4,899,799,364.16
Repayment of borrowings	6,369,248,011.05	1,502,962,221.73
Payments for interest and dividends	668,095,998.12	640,026,892.15
Including: Dividends paid by subsidiaries to non-controlling interests	1,629,621.25	
Cash used in other financing activities	77,087,550.43	435,233,291.92
Subtotal of cash used in financing activities	7,114,431,559.60	2,578,222,405.80
Net cash generated from/used in financing activities	4,416,880,879.06	2,321,576,958.36
4. Effect of foreign exchange rate changes on cash and cash equivalents	22,282,446.23	-41,200,286.25
5. Net increase in cash and cash equivalents	804,142,974.56	14,750,734.03
Add: Cash and cash equivalents, beginning of the period	3,097,899,703.76	1,743,269,944.67
6. Cash and cash equivalents, end of the period	3,902,042,678.32	1,758,020,678.70

8. Cash Flow Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	12,987,769,338.60	10,211,158,433.12
Tax rebates	130,863,528.45	76,021,688.23
Cash generated from other operating activities	2,759,126,679.00	2,170,305,324.47
Subtotal of cash generated from operating activities	15,877,759,546.05	12,457,485,445.82
Payments for commodities and services	11,185,702,814.55	8,461,788,230.31
Cash paid to and for employees	713,115,942.78	706,071,622.42
Taxes paid	1,158,672,182.51	94,128,545.77
Cash used in other operating activities	3,967,958,429.50	4,917,518,293.15
Subtotal of cash used in operating activities	17,025,449,369.34	14,179,506,691.65
Net cash generated from/used in operating activities	-1,147,689,823.29	-1,722,021,245.83
2. Cash flows from investing activities:		
Proceeds from disinvestment	224,007,998.00	180,900,000.00

Investment income	111,276,583.85	163,986,057.87
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	172,255.79	189,841.88
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	1,564,279,083.79	1,508,699,563.18
Subtotal of cash generated from investing activities	1,899,735,921.43	1,853,775,462.93
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	72,123,850.33	51,879,502.86
Payments for investments	2,022,767,387.50	804,349,598.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	922,780,798.39	2,361,142,417.74
Subtotal of cash used in investing activities	3,017,672,036.22	3,217,371,518.60
Net cash generated from/used in investing activities	-1,117,936,114.79	-1,363,596,055.67
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	4,899,799,364.16	5,407,249,831.51
Net proceeds from issuance of bonds		
Cash generated from other financing activities		141,159,174.39
Subtotal of cash generated from financing activities	4,899,799,364.16	5,548,409,005.90
Repayment of borrowings	1,502,962,221.73	2,483,733,952.31
Payments for interest and dividends	640,026,892.15	199,132,587.57
Cash used in other financing activities	435,233,291.92	574,376.15
Sub-total of cash used in financing activities	2,578,222,405.80	2,683,440,916.03
Net cash generated from/used in financing activities	2,321,576,958.36	2,864,968,089.87
4. Effect of foreign exchange rate changes on cash and cash equivalents	-41,200,286.25	-1,161,524.85
5. Net increase in cash and cash equivalents	14,750,734.03	-221,810,736.48
Add: Cash and cash equivalents, beginning of the period	1,743,269,944.67	973,613,753.40
6. Cash and cash equivalents, end of the period	1,758,020,678.70	751,803,016.92

II 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.
30 October 2018