

Stock Code: 000016, 200016

Stock Name: Konka Group, Konka Group-B

Announcement No. 2018-84

KONKA GROUP CO., LTD.

THIRD QUARTER REPORT 2018 (SUMMARY)

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 announcement 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.

The Board of Directors
Konka Group Co., Ltd.
30 October 2018