

KONKA GROUP CO., LTD.

Report for the Third Quarter of 2015

2015-92

October 2015

Section I. Important Reminders

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.

Independent Director Mr. Zhang Min did not attend the board meeting for voting on the quarterly report for he had submitted his resignation letter. And Supervisor Mr. Zhang Guanghui did not attend the meeting of the Supervisory Committee for voting on the quarterly report for he had submitted his resignation letter.

Other Directors attended the board meeting that reviewed the quarterly report in person except the following Directors.

Name	Position	Reason	Name of the mandatory
Zhang Min	Independent Director	did not attend the board meeting for voting on the quarterly report for he had submitted his resignation letter.	N/A

Liu Fengxi, Company Principal, Xu Youshan, Chief of the Accounting Work, and 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 & Change of Shareholders

I. Major accounting data and financial indexes

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

☐ Yes ☒ No

	30 Sept. 2015	31 Dec. 2014	Increase/decrease (%)	
Total assets (RMB Yuan)	16,414,287,851.50	16,779,359,276.65	-2.18%	
Net assets attributable to shareholders of the Company (RMB Yuan)	3,236,137,868.52	4,103,478,971.07	-21.14%	
	Jul.-Sept. 2015	YoY increase/decrease (%)	Jan.-Sept. 2015	YoY increase/decrease (%)
Operating revenues (RMB Yuan)	4,900,151,931.72	-3.50%	13,844,710,852.68	2.80%
Net profit attributable to shareholders of the Company (RMB Yuan)	-555,256,040.41	-17535.28%	-852,209,547.80	-1891.14%
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-365,476,454.60	-235.25%	-699,414,686.58	-148.95%
Net cash flows from operating activities (RMB Yuan)	--	--	1,141,022,190.39	19.52%
Basic EPS (RMB Yuan/share)	-0.2306	-17838.46%	-0.3539	-1887.37%
Diluted EPS (RMB Yuan/share)	-0.2306	-17838.46%	-0.3539	-1887.37%
Weighted average ROE (%)	-14.52%	-14.57%	-23.23%	-24.39%

Notes: According to the 1st Extraordinary General Meeting of 2015, the Company executed the proposal of transferring 10 shares for the whole shareholders by every 10 shares by capital reserves in Sep. 2015 and after the increase by transferring, the total share capital of the Company doubled, with the total share capital increased to 2,407,945,408 shares. The revenue of the basic EPS and diluted EPS were the data calculated according to the new total share capital.

Items and amounts of extraordinary gains and losses

☒ Applicable ☐ Inapplicable

Unit: RMB Yuan

Item	Amount as of Jan.-Sept. 2015	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	-6,116,696.33	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at	36,658,799.88	

certain quotas or amounts according to the country's unified standards		
Gain/loss on entrusting others with investments or asset management	6,835,735.64	
Non-operating incomes and expenses other than the above	-80,084,762.45	
Other gains and losses items met with the definition of non-current gains and losses	-131,994,332.89	
Less: Income tax effects	-23,082,829.81	
Minority interests effects (after tax)	1,176,434.88	
Total	-152,794,861.22	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

√ Applicable □ Inapplicable

Item	Amount (RMB Yuan)	Reason
Tax rebates on software	61,662,772.24	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	61,662,772.24	

II. Total number of shareholders at the period-end and shareholdings of top 10 shareholders

1. Total number of common shareholders at the period-end and shareholdings of top 10 common shareholders

Unit: share

Total number of common shareholders at the period-end	138,542					
Shareholdings of the top ten common shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of the 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	396,763,880	Pledged	0
					Frozen	0

CITIC SECURITIES BROKERAG (HK) CO., LIMITED	Foreign corporation	7.48%	180,001,110	0	Pledged	0
					Frozen	0
GUOYUAN SECURITIES BROKERAG (HK) CO., LIMITED	Foreign corporation	2.76%	66,347,503	0	Pledged	0
					Frozen	0
GAOLING FUND,L.P.	Foreign corporation	2.19%	52,801,250	0	Pledged	0
					Frozen	0
HOLY TIME GROUP LIMITED	Foreign corporation	2.18%	52,580,354	0	Pledged	0
					Frozen	0
NAM NGAI	Foreign individual	0.97%	23,381,040	0	Pledged	0
					Frozen	0
BOCI SECURITIES LIMITED	Foreign corporation	0.94%	22,603,492	0	Pledged	0
					Frozen	0
CMS (HK) CO., LIMITED	State-owned corporation	0.89%	21,453,952	0	Pledged	0
					Frozen	0
CSI Capital Management Limited	Foreign corporation	0.85%	20,550,928	0	Pledged	0
					Frozen	0
HE HUIQING	Domestic individual	0.84%	20,300,000	0	Pledged	0
					Frozen	0
Shareholdings of the top ten non-restricted common shareholders						
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares				
		Type		Number		
CITIC SECURITIES BROKERAG (HK) CO., LIMITED	180,001,110	Domestically listed foreign share	180,001,110			
OCT ENTERPRISES CO.	126,983,052	RMB ordinary share	126,983,052			
GUOYUAN SECURITIES BROKERAG (HK) CO., LIMITED	66,347,503	Domestically listed foreign share	66,347,503			
GAOLING FUND,L.P.	52,801,250	Domestically listed foreign share	52,801,250			
HOLY TIME GROUP LIMITED	52,580,354	Domestically listed foreign share	52,580,354			
NAM NGAI	23,381,040	Domestically listed foreign share	23,381,040			
BOCI SECURITIES LIMITED	22,603,492	Domestically listed foreign share	22,603,492			
CMS (HK) CO., LIMITED	21,453,952	Domestically listed	21,453,952			

		foreign share	
CSI Capital Management Limited	20,550,928	Domestically listed foreign share	20,550,928
HE HUIQING	20,300,000	RMB ordinary share	20,300,000
Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders:	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.		
Explanation on the Top 10 shareholders participating in the margin trading business (if any)	Inapplicable		

Did any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company carry out any agreed buy-back in the reporting period?

☐ Yes ☒ No

No shareholder of the Company carried out any agreed buy-back in the reporting period.

2. Total number of preferred share holders and shareholdings of the top ten preferred share holders at the period-end

☐ Applicable ☒ Inapplicable

Section III. Significant Events

I. Major changes in main accounting statement items and financial indicators in the reporting period, as well as reasons for the changes

√ Applicable □ Inapplicable

(I) In the first nine months, we carried on with our internet-oriented strategy, resulting in a larger proportion of intelligent TVs in the total sales, which has been considered as an improvement to our product mix. However, heavy losses were recorded due to the following reasons:

1. We have net liabilities in US dollars about 600 million due to our operating needs. And the RMB depreciation against the US dollar since 2015 has caused us an exchange loss about RMB 190 million.

2. In September 2015, we received the Notice of the Finance Commission of Shenzhen Municipality Regarding Taking back the Central Government's Promotion Subsidy for High-Efficient and Energy-Saving Home Appliances. According to the Notice, we need to return the subsidy of RMB 89.96 million, incurring an irrecoverable state energy-saving subsidy net receivable of the carrying amount of RMB 131.99 million. The said matter shall reduce our consolidated total profits for the first nine months by RMB 221.95 million (for details, see the Announcement No. 2015-82 on the Notice of the Finance Commission of Shenzhen Municipality Regarding Taking back the Central Government's Promotion Subsidy for High-Efficient and Energy-Saving Home Appliances disclosed on 30 Sept. 2015).

3. The frequent changes in our management produced a negative impact on our production and operation. Meanwhile, due to the fierce price competition of our main products, the profitability in our main business saw a drop in the reporting period.

(II) Since 2015, we have been pushing forward our internet-oriented strategy:

1. We have launched a series of smart TVs. Joining hands with Tencent, Youku and Aliyun.com, we have launched three major series—T60 Tencent Super TV, 2600 Youku TV and Aliyun TV for online sales. In addition, we also introduced to the market quality series including X80U Moon Goddess 4K Curved-Surface TV, 8900 TV, G9200 True Color Classic TV and X8800 BingBing Ultra-Thin TV.

2. We have started to cooperate with GITV and Tencent Video, marking the increase of our Internet TV partners to a number of three.

3. In September 2015, we started to work with Zhejiang Tmall Technology Co., Ltd. on Internet TV. To provide consumers with smart TVs with more contents, better service and customer experience by implanting a sound Alibaba home entertainment service platform into our smart TVs will help

boost the sales of our smart TVs and at the same time give us a share in the platform operating revenues, which will extend our income sources and thus increase our income.

(III) Changes in the major financial indicators

Unit: RMB Ten thousand

Item	Closing amount	Opening amount	+/-	+/-%	Main reasons for the change
Interest receivable	830.64	188.57	642.06	340.49%	The interest income increased.
Long-term deferred expenses	6,308.40	2,579.28	3,729.12	144.58%	The newly-added expenses on display windows and exhibition stands
Interest payable	3,331.51	2,287.24	1,044.27	45.66%	The interest provisions increased.
Item	Jan.-Sept. 2015	Jan.-Sept. 2015	+/-	+/-%	Main reasons for the change
Financial expenses	28,058.11	12,688.40	15,369.71	121.13%	Financing costs increased. and exchange rate fluctuations
Investment gains	1,216.18	42,250.88	-41,034.71	-97.12%	The gains on disposal of subsidiaries and investment decreased
Non-business expenses	10,179.29	1,134.11	9,045.18	797.56%	Energy-saving subsidy should be returned and inability to recove the carrying amount of receivables energy-saving subsidy

II. Progress and influence of significant events, as well as the analysis and explanation on solutions

☒ Applicable ☐ Inapplicable

(I) Regarding the Konka Group Headquarters Urban Renewal Program, we have hired the planning and advisory agency through bidding and are currently pushing forward the dismantlement of the old plants, etc.

(II) As for the Kunshan Shuiyue Zhouzhuang Program, we have sold the houses for Phase I and officially handed over to the buyers,sold some houses for Phase II, which have not yet been officially handed over to the buyers.

III. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

☐ Applicable ☒ Inapplicable

No such commitments in the reporting period.

IV. Predict the 2015 annual operating results

Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next reporting period compared with the same period of the last year according to prediction, as well as explanations on the reasons

☐Applicable ☒Inapplicable

V. Securities investment

☒Applicable ☐Inapplicable

Varie ty of secur ities	Code of securiti es	Name of securi ties	Initial investment cost (RMB Yuan)	Numb er of shares held at period -begin ning	Shareh olding percent age at period- beginni ng	Num ber of shar es held at peri od-e nd	Shareh olding percent age at period- end	Closin g book value (RMB Yuan)	Gain/los s in reportin g period (RMB Yuan)	Accounting title	Source of stock
Stoc k	002772	ZXJY	6,500.00	500	0.00%	0	0.00%	0.00	7,705.7 7	Available-f or-sale financial assets	Applicati on for the new shares
Stoc k	300485	SSY Y	19,230.00	500	0.00%	0	0.00%	0.00	18,830. 46	Available-f or-sale financial assets	Applicati on for the new shares
Stoc k	300481	PYH C	4,565.00	500	0.00%	0	0.00%	0.00	4,970.4 5	Available-f or-sale financial assets	Applicati on for the new shares
Stoc k	002770	KDR Y	3,425.00	500	0.00%	0	0.00%	0.00	4,137.4 2	Available-f or-sale financial assets	Applicati on for the new shares
Stoc k	002776	BBL	11,645.00	500	0.00%	0	0.00%	0.00	7,124.6 1	Available-f or-sale financial assets	Applicati on for the new shares
Stoc k	002766	SLGF	3,765.00	500	0.00%	0	0.00%	0.00	6,090.4 1	Available-f or-sale	Applicati on for the

										financial assets	new shares
Other securities investments held at period-end			0.00	0	--	0	--	0.00	0.00	--	--
Total			49,130.00	3,000	--	0	--	0.00	48,859. 12	--	--
Disclosure date of the board announcement on approval of the securities investment			Inapplicable								
Disclosure date of the general meeting announcement on approval of the securities investment (if any)			Inapplicable								

VI. Shareholdings in other listed companies

☒ Applicable ☐ Inapplicable

As at the period-end, the Company hold the common shares of Vanke A with the initial investment cost of RMB2,311,748.07, the fair value of the period-begin of RMB1,703,341.20 and the fair value of the period-end of RMB1,493,356.30.

VII. Investments in derivatives

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

VIII. Researches, visits and interviews received in the reporting period

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

Section IV. Financial Statements

I. Financial statements

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	3,219,582,518.43	1,703,135,732.18
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	2,625,650,418.72	3,819,417,076.37
Accounts receivable	2,613,928,754.18	2,259,293,207.16
Accounts paid in advance	425,405,015.17	315,150,044.57
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	8,306,374.74	1,885,727.36
Dividend receivable		
Other accounts receivable	181,548,647.99	298,975,391.68
Financial assets purchased under agreements to resell		
Inventories	3,135,256,562.78	3,904,436,250.33
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	620,153,688.88	568,020,200.48
Total current assets	12,829,831,980.89	12,870,313,630.13

Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	309,214,069.00	245,033,609.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	240,624,069.88	362,765,183.66
Investing real estate	229,125,997.10	233,349,452.80
Fixed assets	1,736,181,644.23	1,783,695,548.92
Construction in progress	220,722,765.97	159,604,884.09
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	352,584,389.26	347,626,130.58
R&D expense		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expenses	63,083,961.38	25,792,805.06
Deferred income tax assets	429,321,316.64	259,516,396.26
Other non-current assets		488,063,979.00
Total of non-current assets	3,584,455,870.61	3,909,045,646.52
Total assets	16,414,287,851.50	16,779,359,276.65
Current liabilities:		
Short-term borrowings	5,223,537,109.01	5,145,712,436.91
Borrowings from the Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses	23,826,239.36	
Derivative financial liabilities		
Notes payable	943,882,239.02	911,355,028.47
Accounts payable	3,095,761,372.15	3,144,408,433.93
Accounts received in advance	585,405,942.85	302,904,453.86

Financial assets sold and repurchased		
Handling charges and commissions payable		
Payroll payable	242,440,116.82	299,272,715.05
Tax payable	166,665,214.07	112,557,005.85
Interest payable	33,315,122.20	22,872,418.43
Dividend payable		
Other accounts payable	1,383,773,992.96	1,376,803,381.03
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within 1 year	372,873,863.16	1,525,465.53
Other current liabilities		
Total current liabilities	12,071,481,211.60	11,317,411,339.06
Non-current liabilities:		
Long-term borrowings	639,261,118.99	957,541,210.52
Bonds payable		
Of which: preference shares		
Perpetual bonds		
Long-term payables	30,136,615.38	30,029,990.10
Long-term payroll payables	24,838,611.19	28,554,734.16
Specific payables		
Estimated liabilities		
Deferred income	147,330,348.29	147,315,999.02
Deferred income tax liabilities	7,391,081.84	1,049,498.77
Other non-current liabilities		
Total non-current liabilities	848,957,775.69	1,164,491,432.57
Total liabilities	12,920,438,987.29	12,481,902,771.63
Owners' equity:		

Share capital	2,407,945,408.00	1,203,972,704.00
Other equity instruments		
Of which: preference shares		
Perpetual bonds		
Capital reserves	87,904,540.65	1,289,403,563.99
Less: Treasury stock		
Other comprehensive income	10,605,969.54	16,171,477.91
Specific reserves		
Surplus reserves	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained profits	-118,226,515.95	746,022,758.89
Total equity attributable to owners of the Company	3,236,137,868.52	4,103,478,971.07
Minority interests	257,710,995.69	193,977,533.95
Total owners' equity	3,493,848,864.21	4,297,456,505.02
Total liabilities and owners' equity	16,414,287,851.50	16,779,359,276.65

Legal representative: LiuFengxi

Person-in-charge of the accounting work: Xu Youshan

Chief of the accounting division: Xu Youshan

2. Balance sheet of the Company

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,207,253,501.91	993,131,773.08
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	2,341,370,956.64	3,664,117,423.56
Accounts receivable	2,218,176,315.33	1,539,295,976.29
Accounts paid in advance	374,795,436.67	349,343,179.42
Interest receivable	30,508,190.28	14,450,153.53
Dividend receivable		
Other accounts receivable	846,936,525.37	988,199,630.05

Inventories	1,641,957,245.68	2,500,537,916.63
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	480,046,391.64	201,280,204.53
Total current assets	9,141,044,563.52	10,250,356,257.09
Non-current assets:		
Available-for-sale financial assets	269,164,069.00	218,983,609.00
Held-to-maturity investments	517,000,000.00	600,000,000.00
Long-term accounts receivable	-	-
Long-term equity investment	1,619,270,721.07	1,608,674,456.09
Investing real estate	229,125,997.10	233,349,452.80
Fixed assets	520,461,740.31	534,363,754.80
Construction in progress	30,478,639.64	37,567,861.10
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	86,471,604.99	76,397,532.51
R&D expense		
Goodwill		
Long-term deferred expenses	47,272,453.12	14,567,206.83
Deferred income tax assets	392,878,246.73	244,080,035.45
Other non-current assets		
Total of non-current assets	3,712,123,471.96	3,567,983,908.58
Total assets	12,853,168,035.48	13,818,340,165.67
Current liabilities:		
Short-term borrowings	824,873,318.85	244,808,594.52
Financial liabilities measured at fair value of which changes are recorded in current profits and losses	5,092,763.02	
Derivative financial liabilities		
Notes payable	369,690,796.77	367,803,372.65
Accounts payable	6,097,073,684.96	7,871,208,959.66
Accounts received in advance	383,696,078.05	190,627,895.21

Payroll payable	97,080,801.61	146,758,331.08
Tax payable	118,964,798.70	5,081,943.95
Interest payable	9,713,255.49	5,406,211.20
Dividend payable	-	-
Other accounts payable	1,489,876,539.55	1,103,672,772.19
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	9,396,062,037.00	9,935,368,080.46
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	78,924,773.79	80,679,738.96
Deferred income tax liabilities	5,960,028.72	
Other non-current liabilities		
Total non-current liabilities	84,884,802.51	80,679,738.96
Total liabilities	9,480,946,839.51	10,016,047,819.42
Owners' equity:		
Share capital	2,407,945,408.00	1,203,972,704.00
Other equity instruments		
Of which: preference shares		
Perpetual bonds		
Capital reserves	46,310,784.79	1,250,283,488.79
Less: Treasury stock		
Other comprehensive income	369,839.04	471,827.51
Specific reserves		
Surplus reserves	847,908,466.28	847,908,466.28

Retained profits	69,686,697.86	499,655,859.67
Total owners' equity	3,372,221,195.97	3,802,292,346.25
Total liabilities and owners' equity	12,853,168,035.48	13,818,340,165.67

3. Consolidated income statement for the reporting period

Unit: RMB Yuan

Item	Jul.-Sept. 2015	Jul.-Sept. 2014
I. Operating revenues	4,900,151,931.72	5,077,820,763.66
Including: Sales income	4,900,151,931.72	5,077,820,763.66
Interest income		
Premium income		
Handling charge and commission income		
II. Operating costs	5,487,749,782.77	5,293,677,855.88
Including: Cost of sales	4,348,483,599.93	4,467,793,595.43
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	23,436,891.68	19,852,235.36
Selling and distribution expenses	610,968,887.69	603,920,274.15
Administrative expenses	161,787,869.24	161,335,348.26
Financial expenses	181,514,219.00	25,023,270.63
Asset impairment loss	161,558,315.23	15,753,132.05
Add: Gain/(loss) from change in fair value ("-" means loss)	-23,744,128.23	-
Gain/(loss) from investment ("-" means loss)	4,976,331.44	156,068,719.20
Including: share of profits in	618,107.65	150,388,087.59

associates and joint ventures		
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	-606,365,647.84	-59,788,373.02
Add: non-operating income	44,489,842.42	87,715,844.22
Including: Gains on disposal of non-current assets		
Less: non-operating expense	98,570,588.40	7,305,180.46
Including: Losses on disposal of non-current assets	5,456,264.40	2,646,864.87
IV. Total profit (“-” means loss)	-660,446,393.82	20,622,290.74
Less: Income tax expense	-106,637,412.14	17,178,671.02
V. Net profit (“-” means loss)	-553,808,981.68	3,443,619.72
Net profit attributable to owners of the Company	-555,256,040.41	3,184,669.21
Minority shareholders’ income	1,447,058.73	258,950.51
VI. After-tax net amount of other comprehensive incomes	-6,081,942.570	392,655.050
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-6,330,540.915	347,101.360
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-6,330,540.915	347,101.360
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair	-193,125.180	80,064.070

value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	-6,137,415.735	267,037.290
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	248,598.345	45,553.690
VII. Total comprehensive incomes	-559,890,924.25	3,836,274.77
Attributable to owners of the Company	-561,586,581.32	3,531,770.57
Attributable to minority shareholders	1,695,657.07	304,504.20
VIII. Earnings per share		
(I) Basic earnings per share	-0.2306	0.0013
(II) Diluted earnings per share	-0.2306	0.0013

Legal representative: LiuFengxi 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 Yuan

Item	Jul.-Sept. 2015	Jul.-Sept. 2014
I. Total sales	3,764,448,066.71	4,910,952,092.76
Less: cost of sales	3,457,445,522.80	4,488,862,030.93
Business taxes and surcharges	14,017,425.60	6,789,336.18
Distribution expenses	446,374,143.96	475,996,986.70
Administrative expenses	73,134,364.16	113,759,087.34
Financial costs	8,574,806.75	-13,806,593.05
Impairment loss	144,809,651.76	7,528,125.66

Add: gain/(loss) from change in fair value (“-” means loss)	-5,092,763.02	-
Gain/(loss) from investment (“-” means loss)	12,337,259.03	-10,584,050.13
Including: income from investment on associates and joint ventures	451,622.69	-
II. Business profit (“-” means loss)	-372,663,352.31	-178,760,931.13
Add: non-operating income	82,240,061.89	79,279,469.92
Including: Gains on disposal of non-current assets		
Less: non-operating expense	91,042,240.83	5,627,863.53
Including: Losses on disposal of non-current assets	363,786.58	1,173,968.94
III. Total profit (“-” means loss)	-381,465,531.25	-105,109,324.74
Less: Income tax expense	-95,856,433.21	-26,255,802.46
IV. Net profit (“-” means loss)	-285,609,098.04	-78,853,522.28
V. After-tax net amount of other comprehensive incomes	-172,951.370	80,064.070
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-172,951.370	80,064.070
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-173,902.420	80,064.070

3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	951.050	0.000
6. Other		
VI. Total comprehensive incomes	-285,782,049.41	-78,773,458.21
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated income statement for Jan.-Sept. 2015

Unit: RMB Yuan

Item	Jan.-Sept. 2015	Jan.-Sept. 2014
I. Operating revenues	13,844,710,852.68	13,467,888,459.14
Including: Sales income	13,844,710,852.68	13,467,888,459.14
Interest income		
Premium income		
Handling charge and commission income		
II. Operating costs	14,861,414,808.15	13,922,489,483.67
Including: Cost of sales	12,139,699,400.50	11,471,583,908.48
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	52,146,898.35	47,098,016.85

Selling and distribution expenses	1,735,657,838.04	1,759,788,635.00
Administrative expenses	454,026,772.95	465,777,790.64
Financial expenses	280,581,130.17	126,884,047.87
Asset impairment loss	199,302,768.14	51,357,084.83
Add: Gain/(loss) from change in fair value (“-” means loss)	-23,744,128.23	-
Gain/(loss) from investment (“-” means loss)	12,161,785.57	422,508,837.83
Including: share of profits in associates and joint ventures	-4,399,219.21	152,108,088.99
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	-1,028,286,298.13	-32,092,186.70
Add: non-operating income	113,913,005.97	145,931,312.24
Including: Gains on disposal of non-current assets		
Less: non-operating expense	101,792,892.55	11,341,121.48
Including: Losses on disposal of non-current assets	6,789,889.20	6,115,779.18
IV. Total profit (“-” means loss)	-1,016,166,184.71	102,498,004.06
Less: Income tax expense	-157,739,031.34	52,693,555.37
V. Net profit (“-” means loss)	-858,427,153.37	49,804,448.69
Net profit attributable to owners of the Company	-852,209,547.80	47,579,255.05
Minority shareholders' income	-6,217,605.57	2,225,193.64
VI. After-tax net amount of other comprehensive incomes	-4,949,439.260	2,568,338.320
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-5,565,508.37	2,461,128.340
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other		

comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-5,565,508.37	2,461,128.340
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-102,939.53	101,179.870
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	-5,462,568.84	2,359,948.470
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	616,069.11	107,209.98
VII. Total comprehensive incomes	-863,376,592.63	52,372,787.01
Attributable to owners of the Company	-857,775,056.17	50,040,383.39
Attributable to minority shareholders	-5,601,536.46	2,332,403.62
VIII. Earnings per share		
(I) Basic earnings per share	-0.3539	0.0198
(II) Diluted earnings per share	-0.3539	0.0198

6. Income statement of the Company for Jan.-Sept. 2015

Unit: RMB Yuan

Item	Jan.-Sept. 2015	Jan.-Sept. 2014
I. Total sales	11,554,014,201.79	13,383,758,078.78

Less: cost of sales	10,496,844,522.12	12,000,413,762.42
Business taxes and surcharges	28,491,852.52	23,583,446.31
Distribution expenses	1,256,234,984.04	1,398,351,839.36
Administrative expenses	226,533,974.27	309,854,623.79
Financial costs	19,791,369.45	30,428,246.25
Impairment loss	162,892,130.89	35,304,837.36
Add: gain/(loss) from change in fair value (“-” means loss)	-5,092,763.02	-
Gain/(loss) from investment (“-” means loss)	51,710,055.96	260,851,094.05
Including: income from investment on associates and joint ventures	-1,091,608.11	-2,175,501.89
II. Business profit (“-” means loss)	-590,157,338.56	-153,327,582.66
Add: non-operating income	121,990,873.72	112,639,833.40
Including: Gains on disposal of non-current assets		
Less: non-operating expense	92,568,471.71	7,236,599.91
Including: Losses on disposal of non-current assets	1,267,293.26	2,688,032.04
III. Total profit (“-” means loss)	-560,734,936.55	-47,924,349.17
Less: Income tax expense	-142,805,501.78	-11,323,255.95
IV. Net profit (“-” means loss)	-417,929,434.77	-36,601,093.22
V. After-tax net amount of other comprehensive incomes	-101,988.470	101,179.870
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-101,988.47	101,179.870

1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-102,939.52	101,179.870
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	951.05	0.000
6. Other		
VI. Total comprehensive incomes	-418,031,423.24	-36,499,913.35
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

7. Consolidated cash flow statement for Jan.-Sept. 2015

Unit: RMB Yuan

Item	Jan.-Sept. 2015	Jan.-Sept. 2014
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	13,985,879,580.25	12,555,098,512.73
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		

Net increase of deposits of policy holders and investment fund		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	335,357,120.11	358,329,202.50
Other cash received relating to operating activities	323,220,047.69	235,861,761.39
Subtotal of cash inflows from operating activities	14,644,456,748.05	13,149,289,476.62
Cash paid for goods and services	10,903,464,117.59	9,380,348,724.96
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	1,315,880,285.54	1,323,467,590.83
Various taxes paid	400,440,616.35	563,998,566.46
Other cash payment relating to operating activities	883,649,538.18	926,764,281.16
Subtotal of cash outflows from operating activities	13,503,434,557.66	12,194,579,163.41
Net cash flows from operating activities	1,141,022,190.39	954,710,313.21
II. Cash flows from investing activities:		

Cash received from withdrawal of investments	144,985,946.85	80,177,238.14
Cash received from return on investments	17,924,800.38	142,274,404.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,578,218.68	8,486,488.23
Net cash received from disposal of subsidiaries or other business units	-	238,782,351.98
Other cash received relating to investing activities	3,424,314,849.00	1,202,472,043.31
Subtotal of cash inflows from investing activities	3,589,803,814.91	1,672,192,526.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets	191,731,495.42	698,773,238.21
Cash paid for investment	78,300,427.00	25,623,300.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	3,387,601,232.07	1,565,183,497.35
Subtotal of cash outflows from investing activities	3,657,633,154.49	2,289,580,035.56
Net cash flows from investing activities	-67,829,339.58	-617,387,509.26
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	71,253,725.44	2,800,000.00
Including: Cash received from minority shareholder investments by subsidiaries	71,253,725.44	2,800,000.00
Cash received from borrowings	2,475,961,527.30	2,981,063,581.11
Cash received from issuance of bonds		
Other cash received relating to financing activities	116,254,909.74	29,200,869.52

Subtotal of cash inflows from financing activities	2,663,470,162.48	3,013,064,450.63
Repayment of borrowings	2,142,528,825.32	2,741,806,676.36
Cash paid for interest expenses and distribution of dividends or profit	104,782,035.89	84,152,056.20
Including: dividends or profit paid by subsidiaries to minority shareholders		-
Other cash payments relating to financing activities	160,167,712.58	598,450,810.48
Sub-total of cash outflows from financing activities	2,407,478,573.79	3,424,409,543.04
Net cash flows from financing activities	255,991,588.69	-411,345,092.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-26,171,931.83	9,106,902.07
V. Net increase in cash and cash equivalents	1,303,012,507.67	-64,915,386.39
Add: Opening balance of cash and cash equivalents	1,640,236,837.08	1,771,489,421.21
VI. Closing balance of cash and cash equivalents	2,943,249,344.75	1,706,574,034.82

8. Cash flow statement of the Company for Jan.-Sept. 2015

Unit: RMB Yuan

Item	Jan.-Sept. 2015	Jan.-Sept. 2014
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	9,728,289,659.91	9,534,307,204.66
Tax refunds received	171,735,060.92	172,815,986.06
Other cash received relating to operating activities	1,561,565,595.45	357,621,689.04
Subtotal of cash inflows from operating activities	11,461,590,316.28	10,064,744,879.76
Cash paid for goods and services	8,210,914,476.56	7,404,978,331.51
Cash paid to and for employees	705,264,163.09	729,796,739.00

Various taxes paid	134,399,486.02	236,222,067.20
Other cash payment relating to operating activities	1,456,823,738.53	893,363,473.32
Subtotal of cash outflows from operating activities	10,507,401,864.20	9,264,360,611.03
Net cash flows from operating activities	954,188,452.08	800,384,268.73
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	130,093,919.85	301,267,191.25
Cash received from return on investments	31,784,264.84	13,460,524.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	57,414,081.68	7,557,428.23
Net cash received from disposal of subsidiaries or other business units	-	-
Other cash received relating to investing activities	3,087,884,590.00	1,202,472,043.31
Subtotal of cash inflows from investing activities	3,307,176,856.37	1,524,757,187.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets	37,606,302.33	568,075,101.35
Cash paid for investment	191,751,411.00	12,523,300.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	3,454,884,590.00	1,646,000,000.00
Subtotal of cash outflows from investing activities	3,684,242,303.33	2,226,598,401.35
Net cash flows from investing activities	-377,065,446.96	-701,841,213.95
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		

Cash received from borrowings	61,422,000.00	
Cash received from issuance of bonds		
Other cash received relating to financing activities	634,734,396.24	353,481,347.13
Subtotal of cash inflows from financing activities	696,156,396.24	353,481,347.13
Repayment of borrowings	-	-
Cash paid for interest expenses and distribution of dividends or profit	11,608,876.32	11,854,357.13
Other cash payments relating to financing activities	1,067,804,525.32	595,599,703.87
Sub-total of cash outflows from financing activities	1,079,413,401.64	607,454,061.00
Net cash flows from financing activities	-383,257,005.40	-253,972,713.87
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-2,694,776.40	-2,603,210.17
V. Net increase in cash and cash equivalents	191,171,223.32	-158,032,869.26
Add: Opening balance of cash and cash equivalents	991,459,790.62	1,117,689,643.16
VI. Closing balance of cash and cash equivalents	1,182,631,013.94	959,656,773.90

II. Auditor's report

Is this report audited?

☐ Yes ☒ No

This report is not audited.

Konka Group Co., Ltd.
Board of Directors
28 Oct. 2015