

KONKA GROUP CO., LTD

SUMMARY OF INTERIM REPORT 2006

§1. Important Notice

1.1 The Board of Directors of KONKA GROUP CO., LTD (hereinafter referred to as the Company), the Supervisory Committee and all the directors, supervisors as well as senior executives hereby assure that there are no false records, misleading statements or significant omissions in the materials of this report, and that they will take both individual and joint responsibilities for the authenticity, accuracy and completeness of the content. The Summary of Interim Report 2006 has been abstracted from the full text of the Interim Report 2006, which is published on the Juchao Website (<http://cninfo.com.cn>) at the same time. It is suggested that investors read the full text of the Interim Report to get more details.

1.2 No director, supervisor or senior executive has declared that he or she cannot guarantee the authenticity, accuracy and completeness of the Interim Report or that he or she has objections.

1.3 List of director absent from the meeting:

Name of director absent	Reasons for being absent from the meeting	Name of the person entrusted
Ma Liguang	On business trip	Ye Wu

1.4 The Financial Report in this report has not been audited.

1.5 Chairman of the Board of the Company Mr. Hou Songrong, Chief Financial Officer Mr. Yang Guobin and Person in Charge of Accounting work Mr. Ruan Renzong hereby confirm that the Financial Report in the Interim Report is true and complete.

§2. Basic Information of the Listed Company

2.1 General information

Stock abbreviation	G Konka A, Shen Konka B	
Stock code	000016, 200016	
Stock Exchange listed at	Shenzhen Stock Exchange	
	Secretary of the Board of Directors	Securities Affairs Representative
Name	Mr. Xiao Qing	Mr. Xu Wenxiao
Contact address	Secretariat of the Board of Directors, Konka Group Co., Ltd, Overseas Chinese Town, Nanshan District, Shenzhen, China	Secretariat of the Board of Directors, Konka Group Co., Ltd, Overseas Chinese Town, Nanshan District, Shenzhen, China
Telephone	0755-26608866	0755-26608866
Fax	0755-26600082	0755-26600082
E-mail	szkonka@konka.com	szkonka@konka.com

2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB

	At the end of the report period	At the end of last year	Increase or decrease at the end of the report period than at the end of last year (%)
Current assets	6,997,552,331.38	7,666,411,270.75	-8.72
Current liabilities	4,929,017,018.51	5,633,184,810.33	-12.50
Total assets	8,415,220,411.24	9,120,452,267.93	-7.73

Shareholders' equity (excluding minority shareholders' interest)	3,243,038,176.29	3,211,212,304.03	0.99
Net assets per share	5.39	5.33	1.13
Net assets after adjustment	5.15	5.09	1.18
	The report period (January - June)	The same period of last year	Increase or decrease in the report period year-on-year (%)
Net profit	33,367,874.20	23,348,405.50	42.91
Net profit with non-recurring gains and losses deducted	35,165,155.52	24,249,002.69	45.02
Earnings per share	0.0554	0.0388	42.78
Earnings per share (Note)	0.0554	0.0388	42.78
Return on equity	1.03%	0.73%	Up by 0.3 percentage points
Net cash flows arising out of operating activities	235,545,874.82	-172,455,799.24	236.58

2.2.2 Non-recurring gains and losses

✓ Applicable Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Investment yield	-758,783.07
Non-operating income	2,102,386.97
Non-operating expense	3,140,885.22
Total	-1,797,281.32

2.2.3 Explanation on the differences under IAS and CAS

✓ Applicable Inapplicable

Unit: RMB

	CAS	IAS
Net profit	33,367,874.20	33,675,035.03
Explanation on the reasons	Part of government subsidies listed as income	-1,498,750.00
	Adjustment of losses not made up of subsidiaries	1,449,420.83
	Goodwill written back	-257,831.66

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement on the changes in shares

✓ Applicable Inapplicable

Unit: share

	Before the change		Increase or decrease during the change (+, -)					After the change	
	Amount	Proportion	Newly issued shares	Bonus shares	Shares transferred from public reserves	Others	Subtotal	Amount	Proportion
I. Shares with restrictions on sales	174,952,900	29.06%	0	-56,048,888	0	0	-56,048,888	118,904,012	19.75%
1. Shares held by the State	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by State-owned legal person	90,949,746	15.11%	0	-38,557,154	0	0	-38,557,154	52,392,592	8.70%

3. Shares held by other domestic investors	55,003,154	9.14%	0	-11,452,649	0	0	-11,452,649	43,550,505	7.23%
Including:									
Shares held by domestic legal person	55,000,000	9.14%	0	-11,453,437	0	0	-11,453,437	43,546,563	7.23%
Shares held by domestic natural person	3,154	0.00%	0	788	0	0	788	3,942	0.00%
4. Shares held by foreign investors	29,000,000	4.82%	0	-6,039,085	0	0	-6,039,085	22,960,915	3.81%
Including:									
Shares held by foreign legal person	29,000,000	4.82%	0	-6,039,085	0	0	-6,039,085	22,960,915	3.81%
Shares held by foreign natural person	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares without restrictions on sales	427,033,452	70.94%	0	56,048,888	0	0	56,048,888	483,082,340	80.25%
1. RMB ordinary shares	224,195,550	37.24%	0	56,048,888	0	0	56,048,888	280,244,438	46.55%
2. Domestically listed foreign shares	202,837,902	33.69%	0	0	0	0	0	202,837,902	33.69%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	601,986,352	100.00%	0	0	0	0	0	601,986,352	100.00%

Shares held by the top ten shareholders holding restricted shares and the restrictions:

Unit: Share

No.	Name of shareholders holding restricted shares	Amount of restricted shares held	Time for listing and trading	Amount of shares newly increased for listing and trading	Restrictions
1	OVERSEAS CHINESE TOWN GROUP COMPANY	52,392,592	Mar. 30, 2008	0	Note 1
2	ANHUI TIANDA ENTERPRISE GROUP CO., LTD	43,546,563	Mar. 30, 2008	0	Note 2
3	THOMSON INVESTMENTS GROUP LIMITED	22,960,915	Mar. 30, 2008	0	Note 3

Note: (1) Since the principal shareholder Overseas Chinese Town Group Company has paid some consideration for Anhui Tianda Enterprise Group Co., Ltd and Thomson Investments Group Limited, and Anhui Tianda Enterprise Group Co., Ltd and Thomson Investment Group Limited should repay this part of consideration to Overseas Chinese Town Group Company before their applications for the circulation of the A shares of Konka Group they hold, the A shares of the Company that Overseas Chinese Town Group Company actually may apply for circulation amount to 10.27% of the Company's A shares. Overseas Chinese Town Group Company has promised not to trade or transfer the non-circulating shares of Konka Group within 24 months since the day those shares were authorized with listing and circulating rights. After the expiration of the aforesaid commitment, the total former non-circulating shares of Konka Group sold by Overseas Chinese Town Group Company through listing at the Stock Exchange shall not exceed 5 percent of the Konka Group's total share number within 12 months, and not exceed 10 percent within 24

months.

(2) Since Overseas Chinese Town Group Company has paid 35% of the consideration for Anhui Tianda Enterprise Group Company, the shareholder holding non-circulating shares, and the latter has promised to repay this part of consideration to Overseas Chinese Town Group Company before the application for the circulation of the A shares of Konka Group held by Anhui Tianda Enterprise Group Company, the A shares of the Company that Anhui Tianda Enterprise Group Company actually may apply for circulation amount to 6.21% of the Company's A shares. Anhui Tianda Enterprise Group Company has promised not to trade or transfer the non-circulating shares of Konka Group within 24 months since the day those shares were authorized with listing and circulating rights. After the expiration of the aforesaid commitment, the total former non-circulating shares of Konka Group sold by Anhui Tianda Enterprise Group Company through listing at the Stock Exchange shall not exceed 5 percent of the Konka Group's total share number within 12 months, and not exceed 10 percent within 24 months.

(3) Since Overseas Chinese Town Group Company has paid 35% of the consideration for Thomson Investment Group Limited, the shareholder holding non-circulating shares, and the latter has promised to repay this part of consideration to Overseas Chinese Town Group Company before the application for the circulation of the A shares of Konka Group held by Thomson Investment Group Limited, the A shares of the Company that Thomson Investment Group Limited actually may apply for circulation amount to 3.27% of the Company's A shares. Thomson Investment Group Limited has promised not to trade or transfer the non-circulating shares of Konka Group within 24 months since the day those shares were authorized with listing and circulating rights.

3.2 Shares held by the top ten shareholders and those held by the top ten shareholder holding non-restricted shares

Unit: share

Total number of shareholders			125,139		
Particulars about shares held by the top ten shareholders					
Name of Shareholder	Nature of shareholders	Proportion of the shares held (%)	Total number of shares held	Shares with restrictions on sales held	Number of shares pledged or frozen
OVERSEAS CHINESE TOWN GROUP COMPANY	State-owned shareholder	8.70	52,392,592	52,392,592	0
ANHUI TIANDA ENTERPRISE GROUP CO., LTD	Others	7.23	43,546,563	43,546,563	0
HONG KONG CHINA TRAVEL SERVICE (GROUP) CO., LTD.	Foreign shareholder	4.79	28,810,660	0	Unknown
THOMSON INVESTMENTS GROUP LIMITED	Foreign shareholder	3.82	22,960,915	22,960,915	0
BUILD UNITED LIMITED	Foreign shareholder	3.33	20,079,900	0	Unknown
ABLEWELL INVESTMENTS LIMITED	Foreign shareholder	2.34	14,100,000	0	Unknown
FIRST SHANGHAI SECURITIES LIMITED	Foreign shareholder	1.98	11,941,282	0	Unknown
ANHUI DEVELOPMENT & INVESTMENT CO., LTD	State-owned shareholder	1.26	7,601,170	0	Unknown
NOMURA SECURITIES CO.,LTD.	Foreign shareholder	1.12	6,750,000	0	Unknown
MERRILL LYNCH PIERCE FENNER& SMITH INC	Foreign shareholder	0.99	5,975,926	0	Unknown
Particulars about shares held by the top ten shareholders holding shares without restrictions on sales					
Name of shareholders	Shares without restrictions on sales held		Type		
HONG KONG CHINA TRAVEL SERVICE (GROUP) CO., LTD.	28,810,660		Domestically listed foreign shares		
BUILD UNITED LIMITED	20,079,900		Domestically listed foreign shares		
ABLEWELL INVESTMENTS LIMITED	14,100,000		Domestically listed foreign shares		
FIRST SHANGHAI SECURITIES LIMITED	11,941,282		Domestically listed foreign shares		
ANHUI DEVELOPMENT & INVESTMENT CO., LTD	7,601,170		RMB ordinary shares		
NOMURA SECURITIES CO.,LTD.	6,750,000		Domestically listed foreign shares		
MERRILL LYNCH PIERCE FENNER& SMITH INC	5,975,926		Domestically listed foreign shares		
VALUE PARTNERS CHINA GREENCHIP FUND LTD	4,682,042		Domestically listed foreign shares		
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	3,805,850		Domestically listed foreign shares		
HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD	3,743,323		Domestically listed foreign shares		
Explanation on associated relationship among the top ten shareholders or acting-in-concert	The principal shareholder Overseas Chinese Town Group Company neither has any related relationship with other shareholders, nor has joined in any consistent actions; it is not known whether the other shareholders have joined in any consistent action or have related relationships among them.				

3.3 Change of the controlling shareholder and the actual controller

Applicable Inapplicable

§4. Particulars about Directors, Supervisors and Senior Executives

4.1 Changes in the shares held by directors, supervisors and senior executives

Applicable Inapplicable

Name	Office title	Shares held at period-begin	Shares held at period-end	Reasons for the change
Wang Youlai	Vice president	2,640.00	3,300.00	Consideration arrangement obtained during Share Merger Reform
Huang Zhongtian	Vice president	514.00	642.00	

§5. Discussion and Analyses by the Management Team

5.1 Main operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Industry or product	Income from main operations	Cost of main operations	Profit ratio of main operations (%)	Increase or decrease of the income from main operations year-on-year (%)	Increase or decrease of the cost of main operations year-on-year (%)	Increase or decrease of the profit ratio of main operations year-on-year (%)
Manufacture of household electronic appliances	436,418.05	355,290.19	18.59	-2.87	-6.19	2.88
Manufacture of communication and relevant equipment	83,563.23	69,261.34	17.12	-5.86	-12.22	6.01
Other industry	33,831.31	31,808.83	5.98	303.98	291.81	2.92
Main operations classified according to products						
Color TV	436,418.05	355,290.19	18.59	-2.87	-6.19	2.88
Cell phone	83,563.23	69,261.34	17.12	-5.86	-12.22	6.01
Others	33,831.31	31,808.83	5.98	303.98	291.81	2.92

5.2 Main operations classified according to regions

Unit: RMB'0000

Regions	Income from main operations	Increase or decrease of the income from main operations year-on-year (%)
Homeland	464,474.91	-4.32
Overseas	89,337.68	46.47

5.3 Other operations that exert great influence upon the net profit

Applicable Inapplicable

5.4 Operation of shareholding companies

Applicable Inapplicable

5.5 Should there be any significant changes in the main operations and their structure compared with those of the last year, explain the reasons.

Applicable Inapplicable

5.6 Should there be any significant changes in the profitability (gross profit ratio) of main operations compared with the last year, explain the reasons.

Applicable Inapplicable

The Company has laid emphases on the profit maximization, continued to increase the input into the advantageous market segment, introduced new products and increased the proportion of medium and high end cell phones. In the meantime, the Company has strictly promoted expense restricting and efficiency improving work, contributing to the large-margin increase of the gross

profit ratio of each cell phone. All these have led to the significant changes of the profitability of main operations in the report period compared with the last year.

5.7 Should there be any significant changes in the breakdown of profit compared with that of last year, analyze the reasons.

Applicable Inapplicable

The Company has laid emphases on the profit maximization, made “super thin” as the differentiating point, integrated the “entertainment” brand concept, inherited the “masterpiece project” of konka, carried out integrated promotion for both series products and main products, and increased the proportion of medium and high end cell phones. In the meantime, the Company has strictly promoted expense restricting and efficiency improving work, contributing to the large-margin increase of the gross profit ratio of each cell phone. The Company has successfully turned around from the loss-making status in the report period; hence the significant changes in the breakdown of profit in the report period compared with last year.

5.8 Use of raised proceeds

5.8.1 Use of raised proceeds

Applicable Inapplicable

5.8.2 Particulars about the changed project

Applicable Inapplicable

5.9 Modification to the business plan for the second half year drafted by the Board of Directors

Applicable Inapplicable

5.10 Warning and explanation on the accumulated net profit made from the beginning of the year to the end of the next report period to be loss probably or to have significant changes compared with the same period of last year

Applicable Inapplicable

5.11 Explanation given by the management team of the Company on the “qualified opinions” of the Certified Public Accountants for the report period

Applicable Inapplicable

5.12 Explanation by the management team of the Company on development of the issues involved in the “qualified opinions” of the Certified Public Accountants for the last report period as well as on the handling of the issues

Applicable Inapplicable

§6. Important Events

6.1 Purchase, sales and reorganization of assets

6.1.1 Purchase of assets or assets bought-in

Applicable Inapplicable

Unit: RMB'0000

the other party of the transaction	Assets bought	Buying day	Transaction price	Net profit contributed to the Listed Company by the bought assets during the period from the buying day to the end of the report period	Related transaction or not	Explanation on the pricing principles	Ownership of the involved assets fully transferred or not	Credits and liabilities of the involved assets fully transferred or not
Anhui Tianda Enterprise Group Co., Ltd	13% equity of Anhui Konka Electronics Co., Ltd	Jun. 19, 2006	3,178.09	12.64	Yes	set the price according to the assessed value	Yes	Yes

6.1.2 Sales of assets or assets sold

6.1.3 Progress of these events after the publication of the Assets Reorganization Report or public notices on the purchases or sales of assets, as well as the influences of these events on the operation results and financial status of the Company in the report period

Applicable Inapplicable

6.2 Important guarantees

Applicable Inapplicable

Unit: RMB'0000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Name of companies guaranteed	Date of occurrence (agreement signing day)	Guarantee amount	Guarantee type	Guarantee term	Accomplished or not	For related parties or not (yes or no)
Total guarantee amount occurred in the report period						0.00
Total guarantee balance at the end of the report period (A)						0.00
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries						1,160.00
Total guarantee balance at the end of the report period for shareholding subsidiaries (B)						1,160.00
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount (A+B)						1,160.00
Proportion of the Company's net assets taken by the total guarantee amount						0.36%
Including:						
Guarantee amount for shareholders, the actual controller and their related parties (C)						0.00
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70 percent, directly or indirectly (D)						0.00
The amount by which the total guarantee amount exceeded 50 percent of the net assets (E)						0.00
Total amount of aforesaid three types of guarantees *(C+D+E)						0.00

6.3 Related credits and liabilities current

Applicable Inapplicable

Name of related party	Relationship with the Listed Company	Capital provided to related parties by the Listed Company		Capital provided to the Listed Company by related parties	
		Amount	Balance	Amount	Balance
Shenzhen Konkra Energy Technology Co., Ltd	Legal person controlled by the controlling shareholder and the actual controller	0.00	113.00	0.00	0.00
Shenzhen OCT Real Estate Co., Ltd.	Legal person controlled by the controlling shareholder and the actual controller	90.09	128.70	83.35	0.00
Shenzhen OCT Property Management Co., Ltd.	Legal person controlled by the controlling shareholder and the actual controller	0.50	7.69	0.50	0.00
Shenzhen OCT Water and Power Company	Legal person controlled by the controlling shareholder and the actual controller	580.68	261.48	502.33	0.00
Total		671.27	510.87	586.18	0.00

In the report period, the capital provided by the Listed Company to the controlling shareholder and its subsidiaries totaled RMB 6,712,700, and the balance was RMB 5,108,700.

6.4 Significant lawsuits and arbitrations

Applicable Inapplicable

6.5 Other important events as well as analyses and explanations on their influences and solutions

Non-operating capital occupation and clearing progress

Applicable Inapplicable

6.6 Special commitments made by the originally non-circulating shareholder during the Share Merger Reform and their implementation

Applicable Inapplicable

Name of the shareholder	Special commitments	Implementation of the agreement	Implementation of the commitments
OVERSEAS CHINESE TOWN GROUP COMPANY	(1) These three companies have promised not to trade or transfer the non-circulating shares of Konkra Group within 24 months since the day those shares were authorized with listing and circulating rights. (2) After the expiration of the aforesaid commitment, the total former non-circulating shares of Konkra Group sold by each company through listing at the Stock Exchange shall not exceed 5 percent of the Konkra Group's total share number within 12 months, and not exceed 10 percent within 24 months.	Conditions for the implementation of the agreement not met	Up to now, no restricted shares have been listed, traded or transferred.
ANHUI TIANDA ENTERPRISE GROUP CO., LTD			
THOMSON INVESTMENTS GROUPLIMITED			

6.7 Explanation on the time arrangements for the Share Merger Reform by companies that have

not carried out the reform

Applicable Inapplicable

Explanations by companies that have not carried out the share merger reform for failing to implement their commitments of Share Merger Reform as planned

Applicable Inapplicable

§7. Financial Report

7.1 Auditors' opinions

Financial Report	<input checked="" type="checkbox"/> Un-audited	<input type="checkbox"/> Audited
------------------	--	----------------------------------

7.2 Financial Statements

7.2.2 Income Statement

Statement of Profit and Profit Distribution

Prepared by: Konka Group Co., Ltd

January-June 2006

Unit: RMB

Items	Amount of the report period		Amount of the same period last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Revenue from main operations	5,538,125,845.95	4,502,019,590.54	5,464,655,872.21	4,361,386,802.92
Less: cost of main operations	4,563,603,618.42	3,810,262,720.15	4,657,609,399.45	3,757,097,304.44
Taxes and surcharges on main operations	978,666.81	385,984.44	638,757.21	293,164.33
II. Profit from main operations (losses listed with "-")	973,543,560.72	691,370,885.95	806,407,715.55	603,996,334.15
Add: profit from other operations (losses listed with "-")	11,300,416.73	2,102,763.76	9,435,962.75	517,146.63
Less: operating expenses	709,405,855.69	539,356,178.20	634,151,640.40	387,758,058.64
Management expenses	227,407,171.23	135,449,929.81	159,190,336.83	91,960,460.88
Finance expenses	5,945,774.79	211,846.47	4,567,078.44	1,236,536.04
III. Operating profit (losses listed with "-")	42,085,175.74	18,455,695.23	17,934,622.63	123,558,425.22
Add: investment income (losses listed with "-")	-758,783.07	15,626,021.20	-312,912.85	-100,204,828.74
Subsidy income			134,900.00	
Non-operating income	2,102,386.97	1,315,597.81	1,263,904.37	977,839.25
Less: non-operating expenses	3,140,885.22	2,040,173.39	1,986,488.71	1,154,116.31
IV. Total profit (losses listed with "-")	40,287,894.42	33,357,140.85	17,034,025.44	23,177,319.42
Less: income tax	8,347,726.89		1,534,793.35	
Minority gains and losses	21,714.16		-2,051,813.28	
Losses of subsidiaries not made up	-1,449,420.83		-5,797,360.13	
Add: unconfirmed investment losses of the report period	0.00	0.00	0.00	0.00
V. Net profit (losses listed with "-")	33,367,874.20	33,357,140.85	23,348,405.50	23,177,319.42
Add: retained profit at the beginning of the year	62,071,568.66	108,417,165.56	-375,756,844.99	-338,517,003.06
Other transfer-ins			375,756,844.99	375,756,844.99
VI. Profit available for distribution	95,439,442.86	141,774,306.41	23,348,405.50	60,417,161.35
Less: statutory surplus reserves withdrawn				
Statutory welfare reserves withdrawn				
Employees' bonus and welfare funds withdrawn	0.00	0.00	0.00	0.00
Reserve fund withdrawn				
Enterprise development fund withdrawn				
Profit returned into investment				
VII. Profit available to be distributed to investors	95,439,442.86	141,774,306.41	23,348,405.50	60,417,161.35
Less: dividends for preference shares payable	0.00	0.00	0.00	0.00
Discretionary surplus reserves withdrawn				

Dividends for ordinary shares payable				
Dividends for ordinary shares converted into capital (or share capital)				
VIII. Retained profit	95,439,442.86	141,774,306.41	23,348,405.50	60,417,161.35
Income Statement (Supplementary materials):				
1. Income from the sales or disposal of departments or invested units	0.00	0.00	0.00	0.00
2. Losses arising out of natural disasters	0.00	0.00	0.00	0.00
3. Increase (or decrease) of the total profit due to changes of the accounting policies	0.00	0.00	0.00	0.00
4. Increase (or decrease) of the total profit due to changes of the accounting estimations	0.00	0.00	0.00	0.00
5. Losses arising from debt reorganization	0.00	0.00	0.00	0.00
6. Others	0.00	0.00	0.00	0.00

Legal representative of the Company: Hou Songrong Chief of accounting organs: Yang Guobin Person in charge of accounting organs: Ruan Renzong

7.3 Notes to the Statements

7.3.1 Should there be any changes in accounting policies or accounting estimation or correction of accounting errors, give the relevant content, reasons and amounts influenced.

Applicable Inapplicable

7.3.2 Should there be any significant changes in the consolidation scope of the financial statements, give the reasons and the amounts influenced.

Applicable Inapplicable

7.3.3 Should qualified opinions have been given, list the relevant notes to the issues involved.

Applicable Inapplicable

Konka Group Co., Ltd

Board of Directors

Aug., 2006