

KONKA GROUP CO., LTD.

INTERIM REPORT 2007 (SUMMARY)

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Konka Group Co., Ltd. (hereinafter referred to as "the Company") warrant that this report does not contain any false or misleading statements or omit any material facts and all information set forth herein are true, accurate and complete.

The summary of interim report 2007 is abstracted from the interim report; and full text of the interim report 2007 is published on the Internet website <http://www.cninfo.com.cn> in the mean time. The investors are suggested to read the full text of interim report to understand more details.

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

1.3 All directors attended the meeting.

1.4 The financial report 2007 of the Company contained herein has not been audited.

1.5 The report was audited both in Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

1.6 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. Company Profile

2.1 Basic information

Short form of the stock	Shen Konka A, Shen Konka B	
Stock code	000016, 200016	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board of Directors	Securities Affairs Representative
Name	Xiao Qing	Wu Yongjun
Contact address	Konka Group Co., Ltd. Overseas Chinese Town, Shenzhen, China	
Telephone	0755-26608866	
Fax	0755-26601139	
E-mail	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 report period	At the end of last year		Increase/decrease compared with last year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Total assets	8,064,742,117.72	9,952,185,214.15	10,019,526,991.31	-18.97	-19.51
Owners' equity	3,346,979,346.72	3,301,759,715.43	3,369,057,575.42	1.37	-0.66
Net assets per share	5.560	5.485	5.597	1.37	-0.66
	In the report period (Jan. - Jun.)	The same period of last year		Increase/decrease compared with last year	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Operating profit	45,480,204.76	42,085,175.74	41,594,957.70	8.07	9.34
Total profit	47,182,156.02	40,287,894.42	40,556,459.45	17.11	16.34
Net profit	42,473,932.57	33,367,874.20	29,724,979.18	27.29	42.89
Net profit after	40,727,914.33	35,165,155.52	30,655,454.26	15.82	32.86

deducting non-recurring gains and losses					
Basic earnings per share	0.0706	0.0554	0.0494	27.44	42.91
Diluted earnings per share	0.0706	0.0554	0.0494	27.44	42.91
Return on equity	1.27%	1.03%	0.88%	Up by 0.24 percentage point	Up by 0.39 percentage point
Net cash flow arising from operating activities	157,640,706.13		235,545,874.82		-33.07
Net cash flow per share arising from operating activities	0.2619		0.3913		-33.07

2.2.2 Items of non-recurring gains and losses

Applicable Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Investment income	557,204.91
Non-operating income	5,306,358.57
Non-operating expenses	-4,177,679.36
Amount excluding influence of minority interests	60,134.12
Total	1,746,018.24

2.2.3 Difference between domestic and overseas accounting standards

Applicable Inapplicable

Unit: RMB

	Domestic accounting standard	Overseas (International) accounting standard
Net profit	42,473,932.57	43,972,682.57
Net assets	3,346,979,346.72	3,413,009,362.39
Explanation of the difference	1. Adjustment to capital reserves before taxation	6,978,000.00
	2. Adjustment to surplus reserves before taxation	-17,909,000.00
	3. Government subsidies transferred into capital reserves from deferred income	5,996,250.00
	4. Part of government subsidies classified as income	-1,498,750.00
	5. Goodwill written back	-896,630.47
	6. Retained profit transferred to shareholders' equity	-60,198,635.20

§3. Changes in Share Capital and Particulars about Shares held by Main Shareholders

3.1 Statement of change in shares

Applicable Inapplicable

3.2 Particulars about shares held by the top ten shareholders and the top ten shareholders not subject to moratorium

Unit: share

Total number of shareholders	92,852
Particulars about shares held by top ten shareholders	

Name of shareholder	Nature of shares	Shareholding proportion (%)	Total shares held	Particulars about change of shares in the report period	Number of shares held subject to moratorium	Number of shares pledged and frozen
Overseas Chinese Town Group Company	State-owned legal person	8.70	52,392,592	0	52,392,592	0
Anhui Tianda Enterprise Group Co., Ltd.	Domestic non-state-owned Legal person	7.23	43,546,563	0	43,546,563	0
GAO-LING FUND,L.P.	Overseas legal person	4.77	28,724,813	+28,724,813	0	Unknown
THOMSON INVESTMENTS GROUP LIMITED	Overseas Legal Person	3.81	22,960,915	0	22,960,915	0
GSI S/A GOLDEN CHINA MASTER FUND	Overseas legal person	1.90	11,426,396	+11,426,396	0	Unknown
MORGAN STANLEY & CO. INTERNATIONAL PLC	Overseas legal person	1.75	10,514,814	+10,514,814	0	Unknown
Taihe Securities Investment Fund	Domestic non-state-owned Legal person	1.50	9,014,548	+9,014,548	0	Unknown
Fenghe Value Securities Investment Fund	Domestic non-state-owned Legal person	1.43	8,620,318	+8,620,318	0	Unknown
Bank of China-Harvest Growth Income Securities Fund	Domestic non-state-owned Legal person	1.25	7,543,194	+7,543,194	0	Unknown
GLHH FUND II, L.P.	Overseas legal person	1.17	7,024,860	+7,024,860	0	Unknown
Particulars about changes of shares held by top ten shareholders not subject to moratorium						
Name of shareholder	Number of shares held not subject to moratorium		Nature of shares			
GAO-LING FUND,L.P.	28,724,813		Domestically listed foreign shares			
GSI S/A GOLDEN CHINA MASTER FUND	11,426,396		Domestically listed foreign shares			
MORGAN STANLEY& CO. INTERNATIONAL PLC	10,514,814		Domestically listed foreign shares			
Taihe Securities Investment Fund	9,014,548		RMB ordinary shares			
Fenghe Value Securities Investment Fund	8,620,318		RMB ordinary shares			
Bank of China-Harvest Growth Income Securities Fund	7,543,194		RMB ordinary shares			
GLHH FUND II, L.P.	7,024,860		Domestically listed foreign shares			
China Industrial and Commercial Bank-Harvest Strategic Growth Mixed Type Fund	6,896,161		RMB ordinary shares			
NOMURA SECURITIES CO.LTD	6,750,000		Domestically listed foreign shares			
YALE UNIVERSITY	6,429,270		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; there existed related relationships between GAO-LING FUND,L.P. and GLHH FUND II, L.P. and they belonged to action-in-concert. It is not known whether the other shareholders have joined in any consistent action or have related relationships among them.					

3.3 Particulars about change in controlling shareholder and actual controller of the Company

Applicable Inapplicable

§4. Particulars about Directors, Supervisors and Senior Management

4.1 Particulars about changes in shares held by directors, supervisors and senior management

Applicable Inapplicable

Number of stock option in the Company and authorized restricted shares held by the foresaid staff

Applicable Inapplicable

§5. Discussion and Analysis of the Management

5.1 Main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries and products						
Industries or products	Income from core business (RMB)	Cost of core business (RMB)	Gross profit ratio (%)	Increase/decrease of income (%)	Increase/decrease of cost (%)	Increase/decrease of gross profit ratio (%)
Electronics manufacture	431,661.19	349,183.02	19.11	-1.61	-2.11	0.42
Communication	81,610.21	66,561.58	18.44	-3.01	-4.58	1.34
Others	48,139.24	44,962.31	6.60	40.33	40.08	0.17
Main operations classified according to products						
Color TV	431,661.19	349,183.02	19.11	-1.61	-2.11	0.42
Mobile phone	81,610.21	66,561.58	18.44	-3.01	-4.58	1.34
Others	48,139.24	44,962.31	6.60	40.33	40.08	0.17

Including: Total amount of related transactions that listed company sold products and provide labor service to its controlling shareholder and subsidiaries was RMB 0.00 in the report period.

5.2 Main operations classified according to region

Unit: RMB'0000

Regions	Operating income	Increase/decrease year-on-year (%)
Mainland China	456,485.71	15.45
Hong Kong and overseas regions	104,924.94	-35.14
Consolidation of the Group	561,410.65	0.76

5.3 Reasons of significant changes in main operations and its structure compared with the last year

Applicable Inapplicable

5.4 Reasons of significant changes in profitability capability of main operations (gross profit ratio) than that in the last year

Applicable Inapplicable

5.5 Analysis to reasons of significant changes in profit breakdown compared with the previous year

Applicable Inapplicable

5.6 Utilization of the raised proceeds

5.6.1 Utilization of the raised proceeds

Applicable Inapplicable

5.6.2 Change of projects

Applicable Inapplicable

5.7 Revised business plan of the Board for the second half of 2007

Applicable Inapplicable

5.8 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its significant change compared with the corresponding period of the last year and explanation on reason

Applicable Inapplicable

5.9 Explanation of the Board of Directors on "Non-standard Audit Report" from the Certified Public Accountants in the report period

Applicable Inapplicable

5.10 Explanation of the Board of Directors on changes and solutions of the issues involved in “Non-standard Audit Report” from the Certified Public Accountants in the last year

Applicable Inapplicable

§6. Significant Events

6.1 Acquisition and sales of assets and assets restructure

6.1.1 Assets acquired

Applicable Inapplicable

6.1.2 Assets sold

Applicable Inapplicable

6.1.3 Progress of these events and its influence on the operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published

Applicable Inapplicable

6.2 Guarantees

Applicable Inapplicable

Unit: RMB'0000

Particulars about External Guarantees (excluding guarantees for shareholding subsidiaries)						
Name of Warrantee	Date of occurrence(Agreement signing date)	Amount of guarantee	Type of guarantee	Term of guarantee	Accomplished implementation or not	Guaranteed for related parties or not
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						0.35%
Including:						
Guarantee amount for shareholders, the actual controller or its related parties(C)						0.00
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly(D)						0.00
The amount by which the total guarantee amount exceeded 50% of the net assets(E)						0.00
Total amount of the above three guarantees(C+D+E)						0.00

6.3 Current non-operating related credits and liabilities

Applicable Inapplicable

6.4 Material lawsuits and arbitrations

Applicable Inapplicable

6.5 Other significant events and explanation on analysis to their influences and solutions

Applicable Inapplicable

6.5.1 Securities investment

Applicable Inapplicable

Unit: RMB

Variety of securities	Stock code	Short form of stock	Amount of initial investment (Unit: RMB)	Number of shares held	Book value at the end of period	Proportion in total securities investment at the end of	Gains and losses in the report period (Note)

						period(%)	
A share	600891	ST CHURIN	9,000,000	9,350,000	9,000,000	93.10	29,160,000
A share	600898	Sanlian Commerce	344,760	111,540	344,760	3.57	1,317,287.4
A share	601919	China COSCO	322,240	38,000	322,240	3.33	371,640
Other securities investment held at the end of period			0.00	-	0.00	0.00	0.00
Gains and losses of sold securities investment at the end of report period			-	-	-	-	0.00
Total			9,667,000.00	-	9,667,000.00	100	30,848,927.40

6.5.2 Equity of other listed companies the Company held

Applicable Inapplicable

6.5.3 Equity of non-listed financial enterprises and companies to be listed held by the Company

Applicable Inapplicable

6.6 Investigation, communication and interview of the Company in the report period

Reception time	Reception place	Reception Way	Reception Object	Discussion content and materials provided by the Company
Jan. 1, 2007	Meeting room of the Company	Field research	Guotai Junan Securities Co., Ltd.	Status quo of production and operation, products structure and R&D of new products.
Jan. 1, 2007	Meeting room of the Company	Field research	SINOLINK Securities Co., Ltd.	Company profile and industry status
Feb. 1, 2007	Meeting room of the Company	Field research	Hillhouse Capital Management Co., Ltd.	Core competitive power, developing strategy, Foresight of new products and schedule of relevant work
Apr. 1, 2007	Meeting room of the Company	Field research	Guotai Junan Securities Co., Ltd.	Developing trend of industry and industry status of the Company
Apr. 1, 2007	Meeting room of the Company	Field research	China Galaxy Securities Co., Ltd.	Policies and regulations of this industry, particulars about subsidiaries and developing strategy of the Company
May 1, 2007	Meeting room of the Company	Field research	Harvest Fund Management Co., Ltd.	Developing strategy in future company; Status quo, developing trend and developing frame of color TV and mobile phone industry; Particulars about internal management, including management on purchase, accounts receivable and inventories; Particulars about company administration
Jun. 1, 2007	Meeting room of the Company	Field research	CITIC Securities Co., Ltd.	Core competitive power, developing strategy, foresight of new products and schedule on relevant work

§7. Financial Report

7.1 Auditing opinion

Financial Report	Unaudited	Audited
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7.2 Financial statement

7.2.1 Balance sheet

Konka Group Co., Ltd.
Consolidated balance sheet as at June 30, 2007

	No te	Jun. 30, 2007 RMB'000	Dec. 31, 2006 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	9	1,316,475	1,308,162
Land use rights - non-current portion	10	29,431	26,428
Goodwill	11	4,840	4,840
Intangible assets	12	15,505	16,341
Interests in associates	13	39,030	46,151
Other investments	14	16,613	15,290
Deferred tax assets		68,741	67,342
		1,490,635	1,484,554
Current assets			
Land use rights - current portion	10	630	630
Inventories	15	2,737,940	3,551,897
Properties held for sale	16	4,172	4,172
Account receivables	17	618,513	950,048
Prepayments, deposits and other receivables	18	247,961	276,215
Note receivables	19	1,966,453	3,144,956
Cash and bank balances		1,033,789	678,240
		6,609,458	8,606,158
Total assets		8,100,093	10,090,712

Konka Group Co., Ltd.
Consolidated balance sheet as at June 30, 2007

(cont'd)

	Note	Jun. 30, 2007 RMB'000	Dec. 31, 2006 RMB'000
Equity and liabilities			
Capital and reserves			
Share capital	20	601,986	601,986
Reserves		2,811,023	2,771,404
Equity attributable to equity holders of the parent		3,413,009	3,373,390
Minority interests		234,390	243,713
Total equity		3,647,399	3,617,103
Non-current liabilities			
Deferred income		5,996	7,495
Other long-term liabilities		28,078	27,495
		34,074	34,990

Current liabilities			
Tax payable		8,040	10,088
Account payables		1,131,227	1,217,777
Other payables and accrued expenses		814,263	1,081,080
Note payables		2,173,108	4,114,674
Short-term bank loans	21	291,982	15,000
		<u>4,418,620</u>	<u>6,438,619</u>
Total liabilities		<u>4,452,694</u>	<u>6,473,609</u>
Total equity and liabilities		<u>8,100,093</u>	<u>10,090,712</u>

7.2.2 Income statement

Konka Group Co., Ltd.

Consolidated income statement for the period ended June 30, 2007

	Note	Jan.–Jun. 2007 RMB'000	Jan.– Jun.2006 RMB'000
Turnover	5	5,614,106	5,571,631
Cost of sales		(4,608,224)	(4,586,787)
Gross profit		1,005,882	984,844
Other revenue	6	3,690	461
Distribution costs		(742,726)	(709,406)
Administrative costs		(202,649)	(227,407)
Operating profit		64,197	48,492
Finance costs		(15,050)	(5,946)
Share of loss from associates		(466)	(501)
Profit before taxation	7	48,681	42,045
Income tax	8	(7,049)	(10,868)
Profit for the year		<u>41,632</u>	<u>31,177</u>
Attributable to :			
Equity holders of the parent		43,973	31,214
Share of results of minority interests		(2,341)	(37)
Profit attributable to equity holders of the parent		<u>41,632</u>	<u>31,177</u>
Profit per share to equity holders of the parent - basis		<u>RMB0.073</u>	<u>RMB0.052</u>

The calculation of the basic earnings per share is based on the current year's profit of RMB43,973,000 (2006 –

RMB31,214,000) attributable to the equity holders of the parent and on the existing number of 601,986,352 shares in issue during the period.

7.2.3 Cash flow statement

Konka Group Co., Ltd.
Consolidated cash flow statement for the period ended June 30, 2007

	Note	Jan.–Jun. 2007 RMB'000	Jan.– Jun.2006 RMB'000
Cash flow from operating activities			
Operating profit before taxation		48,681	42,045
Adjustment items :			
Interest income		(3,993)	(3,851)
Income from government grant		(1,499)	(1,499)
Other payables waived		-	-
Interest expenses		11,056	5,000
Depreciation of property, plant and equipment		55,450	72,368
Loss on disposal of property, plant and equipment		1,209	614
Reversal for impairment loss on property, plant and equipment			
Amortization of land use rights		354	315
Impairment loss on goodwill		-	-
Amortization of intangible assets		2,805	3,485
Profit on partial disposal of associates		(490)	-
Share of results from associates		466	490
Reversal for impairment loss on associates		-	-
Provision for inventory obsolescence		2,102	41,734
Inventories written off		-	-
Provision for doubtful debts on account receivables		(1,255)	1,994
Provision for doubtful debts on other receivables		1,275	629
Net operating cash inflow before movements in working capital		116,161	163,324
Exchange reserve movement		(1,913)	(510)
(Increase)/decrease in inventories		813,504	485,538
Increase in account receivables		333,742	(61,876)
Increase in prepayments, deposits and other receivables		27,364	(4,962)
(Increase)/decrease in note receivables		1,178,503	359,286
Increase/(decrease) in account payables		(86,550)	(208,963)
Increase/(decrease) in other payables and accrued charges		(266,817)	20,637
Increase/(decrease) in note payables		(1,941,566)	(510,791)
Cash generated from/(absorbed in) operations		172,428	241,683
Interest paid		(11,056)	(5,000)
Corporate and profits tax paid		(8,449)	(8,348)
Net cash inflow/(outflow) from operating		152,923	228,335

activities

Konka Group Co., Ltd.
Consolidated cash flow statement for the period ended June 30, 2007

(cont'd)

	Note	Jan.-Jun. 2007 RMB'000	Jan.- Jun.2006 RMB'000
Net cash inflow/(outflow) from operating activities		152,923	228,335
Investing activities			
Interest received		3,993	3,851
Purchases of property, plant and equipment		(77,114)	(32,347)
Proceeds from disposal of property, plant and equipment		279	1,167
Purchase of intangible assets			
Returns from partial investment in associates		8,640	-
Increase of investment in associates		(1,000)	(7,714)
Repayments to associates		-	-
Acquisition of other investments		(322)	-
Net cash outflow from investing activities		(65,524)	(35,043)
Financing activities			
Bank loans repaid	22	276,982	(10,000)
Other long-term liabilities raised	22	583	1,435
Dividend paid to minority interests	22	(7,074)	(13,883)
Increase/(decrease) in minority interests	22	(2,341)	(37)
Net cash outflow from financing activities		268,150	(22,485)
Increase/(decrease) in cash and cash equivalents		355,549	170,807
Cash and cash equivalents as at beginning of the year		678,240	629,160
Cash and cash equivalents as at end of the year		1,033,789	799,967

7.2.4 Statement on changes of owners' equity

Konka Group Co., Ltd. Consolidated statement of changes in equity for the period ended June 30, 2007

	Reserves									
	Share capita	Capital reserves	Surplus reserves	Accumulated profit/(loss)	Dividend reserve	Exchange reserve	Total reserves	Attributable to equity holders of the parent	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2006	601,986	1,820,452	765,196	25,988	-	(1649)	2,609,987	3,211,973	261,722	3,473,695
Profit for the year of 2006	-	-	-	156,664	-	-	156,664	156,664	7,493	164,157
Appropriation to statutory surplus reserve	-	-	31,436	(31,436)	-	-	-	-	-	-
Proposed final dividend	-	-	-	(60,199)	60,199	-	-	-	-	-
Dividend to minority interests	-	-	-	-	-	-	-	-	(22823)	(22823)
Decrease in minority interests	-	-	-	-	-	-	-	-	(2679)	(2679)
Exchange difference from translation of foreign operations	-	-	-	-	-	4,753	4,753	4,753	-	4,753
As at December 31, 2006	601,986	1,820,452	796,632	91,017	60,199	3,104	2,771,404	3,373,390	243,713	3,617,103
Profit for the period of 2007	-	-	-	43,973	-	-	43,973	43,973	(2,341)	41,632
Appropriation to statutory surplus reserve	-	-	-	-	-	-	-	-	-	-
Proposed final dividend	-	-	-	-	-	-	-	-	-	-
Dividend to minority interests	-	-	-	-	-	-	-	-	(10,323)	(10,323)
Decrease in minority interests	-	-	-	-	-	-	-	-	3,341	3,341
Exchange difference from translation of foreign operations	-	-	-	-	-	(4,354)	(4,354)	(4,354)	-	(4,354)
As at June 30, 2007	601,986	1,820,452	796,632	134,990	60,199	(1,250)	2,811,023	3,413,009	234,390	3,647,399

According to the corporation law and relevant regulations of a joint stock limited company, the Company's specified profit should be classified as capital reserves, which include share premium, surplus on revaluation of property, plant and equipment and other investments, etc. Capital reserves are normally used for issue of new shares, or for write-off or permanent provision when foreign investments are revalued. Surplus reserves comprise statutory surplus reserve and discretionary surplus reserve.

The Company is required to transfer an amount of not less than 10% of the profit after making up the accumulated loss to statutory surplus reserve until it is up to 50% of the registered share capital. Statutory surplus reserve can be used to cover current year loss or for issue of new shares. The amount of statutory surplus reserve to be utilized for issue of new shares should not exceed an amount such that the balance of the reserve will fall below 25% of the registered share capital after the issue of new shares. Discretionary surplus reserve is applied in accordance with the shareholders' resolutions passed in the annual general meeting and can be used to make up the accumulated loss or for issue of new shares.

7.3 Notes to the financial statement

7.3.1 Should there be any changes in accounting policies, accounting estimates and accounting errors, give the relevant contents, reasons and the amount influenced.

On Jan. 1, 2007, the Company implemented Accounting Standard of Business Enterprise issued by Ministry of Finance in Feb. 2006. At the same time, the Company retroactive adjusted Financial Statement in accordance with standards and relevant regulations. Accounting policies change accumulative influenced amount was as follows:

1. Income tax

In accordance with requirement of Accounting Standards for Enterprises No. 38 - Initial Implementation of Accounting Standards for Enterprises, an enterprise shall make a retroactive modulation to the effect of the temporary difference between the carrying amount of an asset or liability and its tax base on income tax, and shall modulate the retained earnings based on the affected amount. The temporary difference between book value of accounts receivable, other receivables, inventories, un-recovered loss, long-term investment and its tax base formed deferred income tax assets amounting to RMB 67,341,777.16 and correspondingly increased the retained earnings amounting to RMB 67,341,777.16, of which, shareholders' equity belonged to the parent company was 67,297,859.99 and minority interest was 43,917.17.

2. Minority interest

Minority interest in the consolidated financial statement in accordance with the former enterprise accounting standard as of Dec. 31, 2006 was RMB 243,608,120.79 and shall be calculated into shareholders' equity under the new accounting standard. The income tax assets belonged to subsidiary calculated this time was 43,917.17 so the minority interest in the consolidated financial statement under the new accounting standard was 243,652,037.96.

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

Applicable Inapplicable

7.3.3 If the Non-standard Qualified Opinions were presented, please list notes of involved events.

Applicable Inapplicable

**Board of Directors of
Konka Group Co., Ltd.**
Aug. 24, 2007