

KONKA GROUP CO., LTD.

THE FIRST QUARTERLY REPORT 2008

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee and 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.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of the first quarterly report.

1.3 All directors attended the Board meeting.

1.4 The Financial Report of the first quarterly report period has not been audited.

1.5 Mr. Hou Songrong, Chairman of the Board of the Company, Mr. Yang Guobin, Chief Financial Officer of the Company, and Mr. Ruan Rongzong, person in charge of Accounting Organ hereby confirm that the Financial Report enclosed in the Quarterly Report is true and complete.

§ 2 Company Profile

2.1 Main accounting data and financial indicators

Unit: RMB

	At the period-end of this report period	At the period-end of last year	Increase or decrease (%)
Total assets	8,630,608,823.72	9,277,974,998.92	-6.98
Owner's equity (or shareholders' equity)	3,568,478,528.78	3,547,827,071.63	0.58
Net assets per share	5.928	5.894	0.58
	At the period-end of this report period	At the period-end of last year	Increase or decrease (%)
Net profit	47,065,384.53	26,258,875.51	79.24
Net cash flow arising from operating activities	-387,373,316.42	752,654,139.44	-151.47
Net cash flow per share arising from operating activities	-0.64	1.25	-151.20
Basic earnings per share	0.0782	0.0436	79.36
Diluted earnings per share	0.0782	0.0436	79.36
Return on equity	1.32%	0.77%	0.55
Return on equity after deducting non-recurring gains and losses	1.37%	0.77%	0.60

Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	From the beginning of the year to the end of the report period
Non-operating income	812,974.34
Non-operating expense	-2,566,534.89
Income from equity investment transfer	30,221.98
Total	-1,723,338.57

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding tradable shares

Unit: Share

Total number of shareholders		84,591
Shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholder (full name)	Number of shares not subject to trading moratorium	Type of share
GAO-LING FUND, L.P.	28,724,813	Domestically listed foreign shares
SBCI FINANCE ASIA LTD A/C SBC HONG KONG	20,744,513	Domestically listed foreign shares
GUOTAI JUNAN SECURIES HONG KONG LIMITED	14,689,515	Domestically listed foreign shares

NOMURA SECURITIES CO.LTD	6,750,000	Domestically listed foreign shares
NAM NGAI	4,930,500	Domestically listed foreign shares
Jia Ming Investment (Group) Co., Ltd	4,923,382	RMB ordinary shares
GLHH FUND II, L.P.	4,502,181	Domestically listed foreign shares
LGT BANK IN LIECHTENSTEIN AKTIENGESELLSCHAFT	3,795,850	Domestically listed foreign shares
Chuangli (Hong Kong) Development Co., Ltd	2,568,800	Domestically listed foreign shares
Shanghai Shineup Automation Co., Ltd	2,428,058	RMB ordinary shares

§3 Significant Events

3.1 Particular about large-margin change of main accounting statement item and financial index and its reason

Applicable Inapplicable

1. The sales income of the first quarter decreased 9.92% year-on-year, which was mainly because of the snow disaster before the Spring Festival.
Spring Festival was the most significant peak season of sales of color televisions in the year, which generally took up for 21-25% of the year and 80-85% of the first quarter. But in Spring Festival of this year, part area of the country suffered heavy snow disaster, which caused the products of the Company not be able to transport to the affected area. What's worse to Konka Group Co., Ltd, Anhui Konka Electronic Co., Ltd, the main production base of products available for domestic sales, was in heavy affected area Anhui Province, the products was hard to transport and brought many disadvantageous influenced on the sales during the Spring Festival. Therefore, sales of the Company in January and February 2008 decreased 26% year-on-year. Sales of the Company in March after the snow disaster raised rapidly, 31.56% up year-on-year. In conclusion, sales of the Company in the first quarter decreased 9.92% year-on-year. It was forecasted that the influence of the snow disaster on the sales income of the Company would eliminated in the first half year of 2008.
2. Net profit of the first quarter increased 79.24% compared with the same period of the previous year, which mainly because the sales of products with high gross profit rate increased by a large margin.
In the report period, the Company sequentially pushed and deepened operation strategy, based on three projects of masterpiece, quality and innovation, implanted differentia operation strategy, and improved the profitability of the Company; meanwhile, in the condition of limited logistic resources under influence of snow disaster, the Company optimized structure of logistic resources, and mainly manufactured, sold and transported the high-ended products with high gross profit rate, which made increase of the sales of products with high gross profit rate and improvement of the profitability of the Company.
3. Accounts receivable decreased 9.44% compared with year-end of 2007, which mainly because the Company prompted operating efficiency, speeded up the turnover of accounts receivable and the arrearage of the domestic customers in last period collected back in this period.
4. The inventories decreased 9.42% compared with the year-end of 2007, 17.38 % down compared with the same period of 2006, which mainly because the Company further strengthened management of inventories, speeded up the turnover of flat-panel, effectively reduced the inventories of finished products, and prompted the rate of turnover.
5. Net cash flow arising from operating activities decreased by a large margin year-on-year, mainly because and the proportion of cash decreased when collected sales fund, but proportion of cash increased and proportion of bank acceptance bill decreased when expenditure of purchase, and the integration of the aforesaid situation caused decrease of net cash flow arising from operating activities.

3.2 The progress of significant events and influence, as well as the analysis and explanation on resolving proposal

Applicable Inapplicable

3.3 The fulfillment of the commitment made by the Company, shareholders and the actual controller

Applicable Inapplicable

The shareholders made the following commitment in share merger reform of the Company in 2006:			
Full Name of Shareholders	Special commitment	Fulfillment	Remarks
OCT Group Co., Ltd	OCT Group Company promised that pay 35% of consideration plan on share merger reform, which needed fulfilled by it, for former non-current shareholders --- Anhui Tianda Enterprise (Group) Co., Ltd. and THOMSON INVESTMENT GROUP LIMITED.	The payment has been fulfilled.	
Anhui Tianda Enterprise (Group) Company THOMSON INVESTMENT GROUP LIMITED	Anhui Tianda Enterprise (Group) Co., Ltd. and THOMSON INVESTMENT GROUP LIMITED promised that repay all shares provided by OCT Group Co. in share merger reform, before list & current application of A shares holding by the Company.	No repayment yet.	
OCT Group Co., Ltd Anhui Tianda Enterprise (Group) Company THOMSON INVESTMENT GROUP LIMITED	(1) non-tradable shares held by Konkra Group would not be listed, transacted or transferred within 24 months since the day of listing and circulating option in the A share market. (2) After the commitment period, every non-tradable shareholder would sell no more than 5% of total shares of Konkra Group within 12 months listed and transacted in Stock Exchange and no more than 10% within 24 months.	No shares subject to trading moratorium listed, transacted or transferred yet.	

Besides, there were no any commitments made by shareholders or the Company.

3.4 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 report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable Inapplicable

The Company sequentially pushed and deepened operation strategy, sales of products with high gross profit rate would increase and profitability of the Company would prompt greatly. Therefore, the accumulated net profit made during the period from the beginning of the year to the end of the next report period would increase 50-100% compared with the same period of the last year.

3.5 Other significant events

3.5.1 Securities investment

Applicable Inapplicable

3.5.2 Equity of other listed companies the Company held

Applicable Inapplicable

1. Up to 31 Mar. 2008, balance of the capital available for subscription of the Company was RMB 28,785,700; except ST QIULIN and Sanlian Commerce, shares of other listed companies held by the Company realized profit RMB 126,280,000.

2. Except the shareholdings source of ST QIULIN and Sanlian Commerce was legal person shareholdings, shareholdings source of other listed companies was from subscription, and there were no purchase transactions with other ways except subscription.

Unit: Yuan

Stock code	Short form of Stock	Initial investment	Ratio to equity of invested company (%)	Book value at year-end	Profit and loss in the reporting period	Change of owners' equity
601168	West Mining	566,834.00	0.00%	566,834.00	0.00	-777,504.50
000002	Vanke	2,311,748.07	0.00%	2,311,748.07	0.00	-237,553.56
600030	Clitic Securities	1,152,340.53	0.00%	1,152,340.53	0.00	-565,632.91
601169	Bank of Beijing	1,025,000.00	0.00%	1,025,000.00	0.00	-521,520.00
601939	Construction Bank	8,114,100.00	0.00%	8,114,100.00	0.00	-3,824,320.00
601808	China oilfield service	363,960.00	0.00%	363,960.00	0.00	-338,040.00
601088	Zhonguo Shenhua	7,102,080.00	0.00%	7,102,080.00	0.00	-4,917,120.00
601857	China Petroleum	8,149,600.00	0.00%	8,149,600.00	0.00	-6,705,120.00
600898	Sanlian Commerce	344,760.00	0.04%	344,760.00	0.00	0.00
600891	S*ST QIULIN	9,000,000.00	3.84%	9,000,000.00	0.00	0.00
Total		38,130,422.60	-	38,130,422.60	0.00	-17,886,810.97

Although the influence of the shares of other listed companies held by the Company on

owners' equity was negative, the source of the shares was subscription and the cost was low. Up to 31 Mar. 2008, the market value of these stock held by the Company was appreciation compared with subscription.

3.5.3 Interviews and visits in the reporting period.

Date	Venue	Manner	Visitors	Topics discussed and information provided
26 Feb. 2008	Meeting room of the Company	Field study	Guosen Securities Co., Ltd Institute Economics	Status quo of production and operation, products structure and R&D of new products.
3 Mar. 2008	Meeting room of the Company	Field study	Deutsche Bank	Business profile of the Company, and industry status of the Company
6 Mar. 2008	Meeting room of the Company	Field study	China Galaxy Securities Co., Ltd.	Core competition, developing strategy, foresight of new products and schedule on relevant work
12 Mar 2008	Meeting room of the Company	Field study	China Jianyin Investment Securities Co., Ltd	Developing trend and developing frame of color TV and mobile phone industry, and industry status of the Company
20 Mar. 2008	Meeting room of the Company	Field study	Shenyin & Wanguo Securities Research Institute Co., Ltd	Policies and regulations of this industry, particulars about subsidiaries and developing strategy of the Company

§ 4 Appendix

4.1 Balance Sheet

Prepared by Konka Group Co., Ltd

31 Mar. 2008

Unit: RMB Yuan

Item	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	468,400,177.07	260,206,632.74	752,558,414.47	556,082,988.52
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	2,699,293,661.87	2,593,855,554.60	2,652,439,759.85	2,531,404,015.11
Account receivable	941,964,534.46	1,585,356,724.69	1,040,182,919.53	1,784,148,943.42
Account paid in advance	166,862,284.41	51,431,688.84	151,396,359.00	47,409,754.29
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interests receivable				
Other receivables	97,403,084.38	85,164,372.34	132,318,283.67	117,507,972.15
Financial assets purchased under agreement to resell				
Inventories	2,658,117,990.91	1,869,002,254.55	2,934,629,182.87	2,199,304,824.83
Non-current assets due within 1-year				
Other current assets				
Hedged items	1,136,056.47	1,268,883.47	1,222,806.47	1,268,883.47
Hedging instruments	8,293,387.77	6,945,398.81	8,293,387.77	6,945,398.81
Dividends receivable				
Total of current assets	7,041,471,177.34	6,453,231,510.04	7,673,041,113.63	7,244,072,780.60
Non-current assets :				
Loan and payment on other's behalf disbursed				
Financial assets available for sale	39,853,774.90	39,853,774.90	60,721,570.37	60,721,570.37
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	26,472,430.31	873,530,315.57	51,645,230.53	898,703,115.79
Investment property				
Fixed asset	1,314,798,454.11	386,719,279.06	1,291,655,083.85	357,402,241.11
Project in construction	70,228,220.38	64,630,479.03	61,936,696.44	56,331,802.81
Engineering material				
Disposal fixed asset				
Production biological asset				
Oil assets				
Intangible assets	42,885,403.28	3,714,429.83	47,773,502.60	3,843,152.97
Development expense				
Goodwill	3,943,671.53		3,943,671.53	
Long-term deferred expense	27,272,291.25	7,370,549.33	23,849,638.87	4,577,085.48
Deferred tax assets	63,683,400.62	60,533,425.93	63,408,491.10	60,533,425.93
Other non-current assets				

Total non-current assets	1,589,137,646.38	1,436,352,253.65	1,604,933,885.29	1,442,112,394.46
Total assets	8,630,608,823.72	7,889,583,763.69	9,277,974,998.92	8,686,185,175.06
Current liabilities:				
Short-term loans	172,000,000.00	150,000,000.00	22,000,000.00	
Loans from central bank				
Deposits received and hold for others				
Call loan received				
Held-for-trading financial liabilities				
Notes payable	2,825,725,517.29	2,581,023,398.45	3,415,401,298.67	3,205,824,129.42
Accounts payable	894,110,461.65	730,489,572.97	995,897,141.52	1,058,762,163.66
Advance from customers	178,220,309.08	93,786,618.14	223,289,431.96	152,867,288.98
Financial assets sold under agreements to repurchase				
Fees and commissions payable				
Payroll payable	129,359,923.02	61,444,207.63	162,790,579.83	78,569,552.49
Taxes payable	20,358,366.54	50,536,777.07	9,047,560.13	35,495,215.00
Interests payable				
Dividends payable	9,108,763.42		3,402,196.99	
Other payables	569,637,310.19	443,218,365.40	626,548,059.95	421,386,925.01
Amount due to reinsurance				
Insurance contract provision				
Entrusted trading of securities				
Entrusted selling of securities				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities :	4,798,520,651.19	4,110,498,939.66	5,458,376,269.05	4,952,905,274.56
Non-current liabilities :				
Long-term loans				
Bonds payable				
Long-term payables				
Specific payables				
Deferred income	28,530,829.94	26,238,018.39	29,826,225.37	26,238,018.39
Accrued liabilities				
Deferred taxes liabilities	227,302.62	227,302.62	3,783,805.52	3,783,805.52
Other non-current liabilities				
Total non-current liabilities :	28,758,132.56	26,465,321.01	33,610,030.89	30,021,823.91
Total liabilities	4,827,278,783.75	4,136,964,260.67	5,491,986,299.94	4,982,927,098.47
Owners' equity (Shareholders' Equity) :				
Share capital	601,986,352.00	601,986,352.00	601,986,352.00	601,986,352.00
Capital surplus	1,868,697,603.52	1,860,100,830.53	1,884,899,450.09	1,876,302,677.10
Less : Treasury Stock				
Surplus reserve	781,670,420.36	781,670,420.36	781,670,420.36	781,670,420.36
General risk provision				
Retained earnings	318,537,017.46	508,861,900.13	271,471,632.93	443,298,627.13
Foreign exchange difference	-2,412,864.56		7,799,216.25	
Total owners' equity attributable to parent company	3,568,478,528.78	3,752,619,503.02	3,547,827,071.63	3,703,258,076.59
Minority shareholders' equity	234,851,511.19		238,161,627.35	
Total owners' equity	3,803,330,039.97	3,752,619,503.02	3,785,988,698.98	3,703,258,076.59
Total liabilities and owner's equity	8,630,608,823.72	7,889,583,763.69	9,277,974,998.92	8,686,185,175.06

4.2 Profit Statement

Prepared by Konka Group Co., Ltd

Jan. - Mar. 2008

Unit: RMB Yuan

Item	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
I. Total operating revenue	3,077,167,212.95	2,577,779,919.45	3,400,940,519.22	2,712,370,599.61
Including: operating	3,077,167,212.95	2,577,779,919.45	3,400,940,519.22	2,712,370,599.61
Interests income				
Insurance fee income				
Handling charges and commission income				
II. Total cost of sales	3,012,786,557.91	2,499,648,765.11	3,372,356,662.53	2,669,006,602.14
Including: Cost of sales	2,532,855,151.60	2,119,365,397.45	2,855,481,628.23	2,284,011,589.95

Interests expenses				
Handling charges and commission expenses				
Insurance discharge payment				
Claim expenses-net				
Provision for insurance contract reserve-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	195,727.01	20,245.65	436,227.84	7,952.35
Operating expenses	366,688,602.40	309,226,186.32	388,773,737.95	305,531,001.71
Administrative expenses	106,469,084.66	73,024,942.88	121,117,107.49	75,004,356.61
Financial costs	9,406,100.05	808,970.61	6,582,076.27	4,451,701.52
Impairment loss	-2,828,107.81	-2,796,977.80	-34,115.25	
Plus: gain/loss on change in fair value ("-"/for loss)				
Gain/loss on investment ("-"/for loss)	1,562,074.13	1,562,074.13		
Including: income from investment on associates and jointly ventures				
Gain or loss on foreign exchange difference ("-"/for loss)				
III. Operating profit ("-"/for loss)	65,942,729.17	79,693,228.47	28,583,856.69	43,363,997.47
Plus: non-operating income	812,974.34	637,030.96	2,475,246.74	1,383,127.00
Less: non-operating expense	2,566,534.89	467,226.59	2,257,600.82	863,860.74
Including: loss from disposal of non-current asset	1,843,266.05	94,252.05	175,419.68	
IV. Total profit ("-"/for loss)	64,189,168.62	79,863,032.84	28,801,502.61	43,883,263.73
Less: income tax expense	15,935,133.79	14,299,759.84	3,310,246.28	
V. Net profit ("-"/for loss)	48,254,034.83	65,563,273.00	25,491,256.33	43,883,263.73
Net profit attributable to owners of parent company	47,065,384.53	65,563,273.00	26,258,875.51	43,883,263.73
Minority interest	1,188,650.30		-767,619.18	
VI. Earnings per share				
(I) Basic earnings per share	0.0782	0.1089	0.0436	0.0729
(II) Diluted earnings per share	0.0782	0.1089	0.0436	0.0729

4.3 Cash Flow Statement

Prepared by Konka Group Co., Ltd

Jan. – Mar. 2008

Unit: RMB Yuan

Item	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
1. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	3,455,576,827.85	2,796,668,751.26	3,866,647,559.46	3,304,320,334.25
Net increase of deposits received and held for others				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial assets				
Cash received against original insurance contract				
Net Cash received from reinsurance				
Net increase of client deposit and investment				
Cash received from disposal of held-for-trading financial assets				
Cash received as Interests, fees and commissions received				
Net increase of inter-bank fund received				
Cash received under repurchasing, net				
Tax returned	18,888,492.40	28,341.28	41,931,864.68	28,511,952.36
Other cash received from operating activities	38,943,463.46	7,201,134.50	22,350,065.03	5,548,997.75
Sub-total of cash inflow from operating activities	3,513,408,783.71	2,803,898,227.04	3,930,929,489.17	3,338,381,284.36
Cash paid for goods and services	3,087,839,189.28	2,663,212,127.81	2,595,803,683.67	2,064,920,854.94
Net increase of loans and advances				
Net increase of deposit in central bank, banks and other financial institutions				
Cash paid for original contract claim				
Cash paid for interests, fees and commission				
Cash paid for policy dividend				
Cash paid to and on behalf of employees	244,695,606.46	139,806,591.65	77,789,761.39	117,850,614.70
Cash paid for all types of taxes	232,373,904.83	192,982,773.22	198,005,499.19	148,414,843.71
Other cash paid relating to operating activities	335,873,399.56	242,478,793.06	306,676,405.48	166,601,671.46
Sub-total of cash outflows	3,900,782,100.13	3,238,480,285.74	3,178,275,349.73	2,497,787,984.81

Net cash outflow in operating activities	-387,373,316.42	-434,582,058.70	752,654,139.44	840,593,299.55
2. Cash Flows from Investing Activities				
Cash received from return of investments	1,193,806.00	1,193,806.00		
Cash received from investment income	1,531,852.15	1,531,852.15		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	105,937.67	118,566.88	64,737.20	19,037.20
Net cash received from disposal of subsidiaries and other operating units				
Other cash received relating to investing activities			1,943.27	
Sub-total of cash inflows of investing activities	2,831,595.82	2,844,225.03	66,680.47	19,037.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	42,318,907.25	14,054,162.11	22,408,807.93	1,734,427.88
Cash paid for acquisition of investments	84,360.00	84,360.00	1,000,000.00	99,750,000.00
Net increase of pledge loans				
Net cash paid for acquisition of subsidiaries and other operating units				
Other cash paid relating to investing activities				
Sub-total of cash outflows of investing activities	42,403,267.25	14,138,522.11	23,408,807.93	101,484,427.88
Net cash inflow from investing activities	-39,571,671.43	-11,294,297.08	-23,342,127.46	-101,465,390.68
3. Cash Flows from Financing Activities:				
Cash received from investment				
Including: Cash received from minority shareholders of subsidiaries				
Cash received from borrowings	150,000,000.00	150,000,000.00		
Cash received from bonds issuing				
Cash received relating to financing activities			2,000,000.00	
Sub-total of cash inflows of financing activities	150,000,000.00	150,000,000.00	2,000,000.00	
Cash paid for repayments of borrowings				
Cash paid for dividends, profit distribution or interest	2,545,403.57		2,576,887.42	
Including: dividends or profits paid to minority shareholders by subsidiaries				
Other cash paid relating to financing activities	1,550.97		98,661.76	
Sub-total of cash outflows of financing activities	2,546,954.54		2,675,549.18	
Net cash inflow from financing activities	147,453,045.46	150,000,000.00	-675,549.18	
4. Effect of foreign exchange rate changes	-4,666,295.01			
5. Net decrease in cash and cash equivalents	-284,158,237.40	-295,876,355.78	728,636,462.80	739,127,908.87
Add : Cash and cash equivalents at the beginning of the year	752,558,414.47	556,082,988.52	678,239,825.82	386,670,772.90
6. Cash and cash equivalents at the end of the year	468,400,177.07	260,206,632.74	1,406,876,288.62	1,125,798,681.77

4.4 Auditor's report

Auditor's opinion: un-audited

Konaka Group Co., Ltd

Board of Directors

25 Apr. 2008