

**KONKA GROUP CO., LTD.**  
**THE FIRST QUARTERLY REPORT 2009**

**§ 1. Important Notice**

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and other senior management personnel of Konka Group Co., Ltd. (hereinafter referred to as "the Company") hereby guarantee that this report carries no false information, misleading statements or major omissions, and accept, individually and collectively, the responsibility for the factuality, accuracy and completeness of the information set forth herein.

1.2 The Financial Report of this first quarterly report has not been audited by a CPA firm.

1.3 Mr. Hou Songrong (Chairman of the Board of the Company), Mr. Yang Guobin (Chief Financial Officer of the Company) and Mr. Ruan Renzong (Person-in-charge of the accounting agency and the accounting project) hereby confirm that the Financial Report enclosed in this quarterly report is factual and complete.

**§ 2. Company Profile**

**2.1 Main accounting data and financial indicators**

Unit: (RMB) Yuan

	31 Mar. 2009	31 Dec. 2008	Increase/decrease (%)
Total assets	9,870,096,644.14	10,517,285,515.63	-6.15
Equities attributable to owners of the parent company	3,815,600,056.91	3,775,042,931.48	1.07
Share capital	1,203,972,704.00	1,203,972,704.00	0.00
Net assets per share attributable to owners of the parent company	3.17	3.14	0.96
	Jan.-Mar. 2009	Jan.-Mar. 2008	Increase/decrease (%)
Total operation income	2,611,315,292.67	3,077,167,212.95	-15.14
Net profit attributable to owners of the parent company	40,231,160.32	47,065,384.53	-14.52
Net cash flow arising from operating activities	802,909,498.66	-387,373,316.42	307.27
Net cash flow per share arising from operating activities	0.67	-0.32	307.27
Basic earnings per share	0.033	0.039	-15.38
Diluted earnings per share	0.033	0.039	-15.38
Return on equity	1.05%	1.32%	-0.27
Profit margin on net assets after deducting non-recurring gains and losses	1.00%	1.37%	-0.37
Items of non-recurring gains and losses			Amount from year-begin to the end of the reporting period
Gains from disposal of non-current assets			256,295.76
Other non-operating income and expenses besides the above items			2,731,354.13
Amount affected by income tax			-362,488.79
Amount affected by minority interest			-400,376.70
Total			2,224,784.40

Explanation for items of non-recurring gains and losses:

The gains from disposal of non-current assets listed under the items of non-recurring gains and losses came from the disposal of fixed assets. Meanwhile, other non-operating income and expenses mainly referred to the governmental reward funds and fines of the Company's two subsidiaries—Dongguan Konka Electronic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd..

Notes: According to the resolutions of its 2007 Shareholders' General Meeting, the Company implemented the plan for turning the capital surplus to share capital in Jun. 2008. With the total share capital (601,986,352 shares) at the end of 2007 as the equity base, the Company conducted the conversion to all its shareholders according to the rate of 10 shares per 10 shares. After

the conversion, the Company's total share capital was increased to 1,203,972,704 shares. In the table above, data of the same period of last year (including the basic earnings per share, the diluted earnings per share, the net cash flow per share arising from operating activities and the net assets per share attributable to the shareholders of the listed company) were all calculated on the basis of the total share capital after the conversion.

**2.2 Total number of shareholders at the end of the reporting period, as well as the shares held by the top ten shareholders holding shares not subject to trading moratorium**

Unit: Share

Total number of shareholders at period-end	91,579	
Tradable shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholder (full name)	Number of tradable shares not subject to trading moratorium held at period-end	Type of share
GAO-LING FUND, L. P.	58,930,179	Domestically listed foreign shares
Industrial and Commercial Bank of China—Boshi Selected Stock Securities Investment Fund	33,368,575	RMB ordinary shares
China Construction Bank—Huabao Xingye Earnings Growth Mixed Securities Investment Fund	29,750,838	RMB ordinary shares
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	27,576,200	Domestically listed foreign shares
Orient Securities—Agricultural Bank of China—Dongfanghong No. 3 Collective Assets Management Plan	25,579,257	RMB ordinary shares
SBCI FINANCE ASIA LTD A/C SBC HONG KONG	17,817,679	Domestically listed foreign shares
Communications Bank of China—Haifutong Selected Securities Investment Fund	15,000,527	RMB ordinary shares
NOMURA SECURITIES CO.LTD	13,500,000	Domestically listed foreign shares
China Construction Bank—Baokang Consumer Goods Securities Investment Bank	12,213,505	RMB ordinary shares
Bank of China—Huabao Xingye Advance Growth Stock Securities Investment Fund	12,000,000	RMB ordinary shares

**§ 3. Significant Events**

**3.1 Particulars about major changes of items and financial indexes of the main accounting statements, as well as the reasons for changes**

Applicable                      Inapplicable

1. In the first quarter of 2009, the Company's sales revenue and profitability of LCD TVs were greatly affected by the short supply of LCD panels and LCD modules since the 4<sup>th</sup> quarter of 2008. Affected by the global financial crisis, the 4<sup>th</sup> quarter of 2008 saw a sharp drop of the global demand for LCD panels and LCD modules. The manufacturers of LCD panels and LCD modules, as well as the relevant upstream suppliers and component suppliers, made an excessively pessimistic estimate of the demand for the panels. As a result, they adopted such measures as reducing the inventory at below-cost prices, as well as the staff reduction. Meanwhile, they resorted to reducing the production, production halt or even closing down the business, which led to excessive deinventory.

In view of the great demand for LCD panels in the market of China and other markets, the suspended production of LCD panels and LCD modules was being gradually resumed. However, the relevant upstream suppliers and component suppliers for LCD panels and LCD modules worried that the strong demand would not last long. Therefore, they adopted a prudent and hesitant attitude in terms of resuming and expanding the production, which made the rapid increase of their production capacity almost impossible. What's more, such an inaccurate judgment about the market spread its influence to the upper links of the industrial chain, which caused a short supply in a larger scope. Therefore, when the manufacturers of LCD panels purchased raw materials and components from the relevant upstream suppliers and component suppliers, they encountered a greatly limited supply of some key raw materials and components. The suppliers failing to provide raw materials according to

the set time and quantity greatly affected the production of LCD panels and LCD modules. Consequently, the domestic LCD TV makers could not purchase LCD panels and LCD modules at the planned time and quantity, either. As a result, with a strong domestic demand for LCD TVs, the LCD TV makers had to suffer a severely short supply of LCD panels and LCD modules, which considerably affected the sales revenue and profitability of the domestic LCD TV makers in the first quarter of 2009. It was estimated that it would take another 2-3 months for the upstream suppliers and component suppliers of LCD panels and LCD modules to fundamentally resume the production and provide sufficient raw materials to meet the market need. Therefore, the short supply of LCD panels and LCD modules was expected to last until June or July in 2009.

Due to the short supply of LCD panels and LCD modules, the Company's sales revenue in the first quarter of 2009 decreased by 15.14% compared to the same period of last year, and the net profit attributable to the owners of the parent company registered a decrease of 14.52% over the same period of last year.

2. The net inventory at the end of the reporting period decreased by 12.20% compared to that at the end of 2008, which marked a steady decrease trend. And this was mainly due to that the Company further strengthened its management and control of the inventory, improved the efficiency of inventory operation, and thus further accelerated the turnover speed of the inventory.

3. The intangible assets increased by 81.25% compared to the year-begin, mainly due to the acquisition of the certificate of land use right for the land involved in the Kunshan LCD Module Project.

4. Non-operating income increased by 368.09% compared with the same period of last year, which was mainly due to the Penalty Incomes and the government awards granted to the subsidiary Dong Guan Konka Plastic Mould Co., Ltd.

5. As discount of notes receivable increased, the financial expense increased by 37.69% compared with the same period of last year, and the cash flow from operating activities increased by 307.27% compared with the same period of last year.

3.2 Explanation and analysis on the progress of significant events as well as their influence and solution

Applicable                      Inapplicable

3.3 Fulfillment of commitments made by the Company, shareholders and actual controller

Applicable                      Inapplicable

Commitments	Contents of commitments	Execution
Commitments concerning share merger reform	(1) To promise that all non-tradable shares of KONKA GROUP CO., LTD held by it will not be listed for trading or transferring within 24 months since the date when it acquires the right to list in A share market. (2) At the expiration of the aforesaid commitment period, the original non-tradable shares of KONKA GROUP CO., LTD sold through listing at Stock Exchange shall take up less than 5% of total shares of KONKA GROUP CO., LTD within 12 months, and less than 10% within 24 months.	Up to now, there was no share subject to moratorium listed for trading or transferring.
Commitments concerning share trading moratorium	-	-
Commitments made in the purchase report or the report on equity changes	-	-
Commitments made in major assets reorganization	-	-
Commitments made in stock issuance	-	-
Other commitments (including supplementary commitments)	-	-

3.4 Warnings of possible losses or significant changes of the accumulative net profit during the period from the year-begin to the end of the next reporting period compared with the same period of last year according to prediction, as well as explanations on the reasons

Applicable                      Inapplicable

3.5 Other significant events

3.5.1 Securities Investment

Applicable                      Inapplicable  
3.5.2 Interviews and visits in the reporting period

Date	Place	Way of communication	Visitors	Topics discussed and materials provided
Jan. 21, 2009	Meeting room of the Company	Field research	CITIC Securities, Changsheng Fund Management Co., Ltd	Development trend of color TV industry, competitiveness of LCD TV products, the Company's status in color TV industry
Feb. 5, 2009	Meeting room of the Company	Field research	Ping An Securities	Development strategy of the Company's color TV business, new products of LCD TV, status quo of LCD TV industry
Feb. 18, 2009	Meeting room of the Company	Field research	CCB International	Status quo and development trend of color TV industry, the Company's development concept of the LCD TV business
Feb. 19, 2009	Meeting room of the Company	Field research	SYWG BNP Paribas, Boser Fund, Fullgoal Fund Management, Yinhua Fund Management, CCB Principal Asset Management etc.	Competitiveness of the Company's color TV products, development strategy, market prospect of new products, and progress of relevant work
Feb. 20, 2009	Meeting room of the Company	Field research	China Securities Co., Ltd	Investment in LCD module projects, basic information of the Company's business of color TV and mobile phone
Feb. 23, 2009	Meeting room of the Company	Field research	Sinolink Securities	Construction of KONKA GROUP R & D Building, development trend of color TV industry
Feb. 25, 2009	Jining Branch	Field research	Shenyin Wanguo Securities, Tianhong Asset Management, Fortune SGAM Management, Harfor Funds, POWER PACIFIC CORPORATION LTD	Particulars about promoting application of electrical home appliance in the countryside
Mar. 5, 2009	Meeting room of the Company	Field research	Penghua Fund Management, United Securities, China Jianyin Investment Securities, Yingda Securities	Investment in 2009, construction of LCD module project, competitive strategy of color TV
Mar. 5, 2009	Meeting room of the Company	Field research	Guosen Securities, Rongtong Fund Management, ABC-CA Fund Management, China Merchants Fund	Development trend of color TV industry, particulars about reducing of expenses of the Company, investment in 2009
Mar. 16, 2009	Meeting room of the Company	Field research	CITIC Securities	Development trend of color TV industry, competitiveness of the Company's color TV products

3.5.3 Other significant events

Applicable                      Inapplicable

(1) Up to the end of reporting period, the Company did not provide capital to controlling shareholders or other affiliated parties, nor provide any external guarantee against prescribed procedures.

(2) In the reporting period, the Company had no significant contract which shall be disclosed.

**§ 4. Appendix**

4.1 Balance sheet

Prepared by Konka Group Co., Ltd

31 Mar. 2009

Unit: RMB Yuan

Items	Balance at period-end		Balance at year-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	2,625,039,024.05	1,811,084,602.16	2,066,252,494.08	1,475,666,531.16
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	2,084,457,468.28	1,965,019,668.55	2,602,862,135.40	2,490,683,124.51
Account receivable	946,296,277.40	869,677,311.87	1,326,261,316.54	1,047,632,207.37
Account paid in advance	213,548,919.16	99,062,162.21	258,992,334.73	202,116,433.21
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				

Interest receivable	27,889,244.98	25,600,002.68	19,905,867.09	17,616,624.79
Dividend receivable				
Other account receivable	70,416,042.76	1,037,334,585.23	81,299,762.88	1,069,914,747.28
Financial assets purchased under agreements to resell				
Inventories	2,259,818,250.19	1,550,409,704.48	2,573,776,867.13	1,914,848,396.91
Non-current assets due within 1 year				
Other current assets				
Total current assets	8,227,465,226.82	7,358,188,037.18	8,929,350,777.85	8,218,478,065.23
Non-current assets:				
Loans and advance				
Available for sale financial assets	9,756,649.50	9,756,649.50	9,756,649.50	9,756,649.50
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	21,610,338.75	1,149,511,669.87	21,610,338.75	1,149,511,669.87
Investing property				
Fixed asset	1,330,396,838.27	405,167,171.17	1,344,177,898.16	417,114,182.46
Project in construction	38,315,930.57	25,420,810.93	27,331,613.11	17,412,689.40
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets	125,468,483.29	18,915,459.13	69,223,899.60	19,277,794.23
Development expense				
Goodwill	3,943,671.53		3,943,671.53	
Long-term expense to be apportioned	21,145,962.40	7,799,147.82	19,897,124.12	5,970,948.27
Deferred tax assets	91,993,543.01	91,053,354.87	91,993,543.01	91,053,354.87
Other non-current assets				
Total of non-current assets	1,642,631,417.32	1,707,624,263.29	1,587,934,737.78	1,710,097,288.60
Total assets	9,870,096,644.14	9,065,812,300.47	10,517,285,515.63	9,928,575,353.83
Current liabilities:				
Short-term loans	1,137,865,688.39	894,989,338.95	1,346,375,610.78	1,094,765,111.29
Loans from central bank				
Deposits received and hold for others				
Placements From Banks Other Financial Institutions				
Transaction financial liabilities	12,481,880.16	10,623,434.10	12,481,880.16	10,623,434.10
Notes payable	2,354,993,325.80	2,053,930,270.22	2,637,681,947.36	2,441,813,730.21
Account payable	1,289,984,939.88	1,269,203,834.09	1,571,761,341.98	1,640,897,495.08
Account received in advance	157,949,732.79	88,746,466.71	179,376,510.50	110,769,256.44
Financial assets sold under agreements to repurchase				
Handling charges and commission				

payable				
Employee ' s compensation payable	97,357,533.30	28,595,344.70	168,838,494.96	81,507,222.39
Tax payable	46,644,789.70	68,846,475.44	14,263,975.12	27,855,510.51
Interest payable	14,114,956.66	11,379,527.97	8,247,223.62	5,511,794.93
Dividend payable	8,939,567.97		7,108,659.46	
Other account payable	660,746,542.94	719,763,350.67	527,535,236.31	628,707,957.85
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	5,781,078,957.59	5,146,078,042.85	6,473,670,880.25	6,042,451,512.80
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Long-term payables				
Specific purpose account payables	54,080,690.14	49,942,369.62	43,578,369.62	39,442,369.62
Deferred income				
Provisions for contingent liabilities				
Deferred tax liabilities	563,067.21		563,067.21	
Other non-current liabilities				
Total non-current liabilities	54,643,757.35	49,942,369.62	44,141,436.83	39,442,369.62
Total liabilities	5,835,722,714.94	5,196,020,412.47	6,517,812,317.08	6,081,893,882.42
Owner ' s equity (or shareholders ' equity)				
Paid-in capital (or share capital)	1,203,972,704.00	1,203,972,704.00	1,203,972,704.00	1,203,972,704.00
Capital surplus	1,256,138,295.21	1,248,889,511.18	1,256,138,295.21	1,248,889,511.18
Less: Treasury Stock				
Reserved fund	804,896,533.82	804,896,533.82	804,896,533.82	804,896,533.82
General risk provision				
Retained earnings	540,869,285.43	612,033,139.00	500,638,125.11	588,922,722.41
Foreign exchange difference	9,723,238.45		9,397,273.34	
Total owners' equity attributable to holding company	3,815,600,056.91	3,869,791,888.00	3,775,042,931.48	3,846,681,471.41
Minority interest	218,773,872.29		224,430,267.07	
Total owner ' s equity	4,034,373,929.20	3,869,791,888.00	3,999,473,198.55	3,846,681,471.41
Total liabilities and owner ' s equity	9,870,096,644.14	9,065,812,300.47	10,517,285,515.63	9,928,575,353.83

#### 4.2 Income Statement

Prepared by Konka Group Co., Ltd  
Yuan

Jan.-Mar. 2009

Unit: RMB

Items	Amount in this period		Amount in the previous period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	2,611,315,292.67	2,215,990,440.32	3,077,167,212.95	2,577,779,919.45
Including: Sales	2,611,315,292.67	2,215,990,440.32	3,077,167,212.95	2,577,779,919.45
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	2,573,658,346.25	2,193,140,792.45	3,012,786,557.91	2,499,648,765.11
Including: Cost of sales	2,156,286,288.52	1,855,513,841.46	2,532,855,151.60	2,119,365,397.45
Interests expenses				
Service charge and commission income				
Cash surrender value				
Claim expenses-net				
Provision for insurance contract reserves-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	335,691.09	32,243.60	195,727.01	20,245.65
Distribution expenses	307,567,109.71	267,162,582.20	366,688,602.40	309,226,186.32
Administrative expenses	100,666,366.22	65,200,389.93	106,469,084.66	73,024,942.88
Financial costs	12,951,059.59	9,783,944.26	9,406,100.05	808,970.61
Impairment loss	-4,148,168.88	-4,552,209.00	-2,828,107.81	-2,796,977.80
Add: gain/(loss) from change in fair value (" - " means loss)				
Gain/(loss) from investment (" - " means loss)			1,562,074.13	1,562,074.13
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference (" - " means loss)				
III. Business profit (" - " means loss)	37,656,946.42	22,849,647.87	65,942,729.17	79,693,228.47
Add: non-business income	3,805,441.94	1,776,910.89	812,974.34	637,030.96
Less: non-business expense	817,792.05	475,236.05	2,566,534.89	467,226.59
Including: loss from non-current asset disposal	366,211.13	204,163.93	1,843,266.05	94,252.05
IV. Total profit (" - " means loss)	40,644,596.31	24,151,322.71	64,189,168.62	79,863,032.84
Less: Tax expense	4,062,155.42	1,040,906.12	15,935,133.79	14,299,759.84
V. Net profit (" - " means loss)	36,582,440.89	23,110,416.59	48,254,034.83	65,563,273.00
-Attributable to parent company	40,231,160.32	23,110,416.59	47,065,384.53	65,563,273.00
-Minority interest	-3,648,719.43		1,188,650.30	
VI. Earnings per share				
(I) Basic earnings per share	0.033	0.019	0.039	0.054
(II) Diluted earnings per share	0.033	0.019	0.039	0.054

#### 4.3 Cash Flow Statement

Prepared by Konka Group Co., Ltd  
Yuan

Jan.-Mar. 2009

Unit: RMB

Items	Amount in this period		Amount in the previous period	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	3,776,653,886.48	3,235,207,703.10	3,455,576,827.85	2,796,668,751.26

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				
Net increase of disposal of tradable financial assets				
Cash received as Interests, fees and commissions received				
Net increase of inter-bank fund received				
Cash received under repurchasing, net				
Tax returned	18,717,923.13	8,178,612.00	18,888,492.40	28,341.28
Other cash received from operating activities	93,669,493.85	24,642,501.83	38,943,463.46	7,201,134.50
Sub-total of cash inflow from operating activities	3,889,041,303.46	3,268,028,816.93	3,513,408,783.71	2,803,898,227.04
Cash paid for goods and services	2,317,602,968.35	2,183,739,659.17	3,087,839,189.28	2,663,212,127.81
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 for employees	250,408,626.70	152,092,114.26	244,695,606.46	139,806,591.65
Cash paid for all types of taxes	294,783,090.76	248,019,254.34	232,373,904.83	192,982,773.22
Other cash paid relating to operating activities	223,337,118.99	162,218,767.69	335,873,399.56	242,478,793.06
Sub-total of cash outflows	3,086,131,804.80	2,746,069,795.46	3,900,782,100.13	3,238,480,285.74
Net cash outflow in operating activities	802,909,498.66	521,959,021.47	-387,373,316.42	-434,582,058.70
II. 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	1,908,031.60	1,115,630.21	105,937.67	118,566.88
Net cash received from disposal of subsidiaries and other operating units				
Other cash received relating to investing activities				
Sub-total of cash inflows of investing activities	1,908,031.60	1,115,630.21	2,831,595.82	2,844,225.03
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	61,725,365.97	624,304.48	42,318,907.25	14,054,162.11
Cash paid for acquisition of investments			84,360.00	84,360.00
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	61,725,365.97	624,304.48	42,403,267.25	14,138,522.11
Net cash inflow from investing activities	-59,817,334.37	491,325.73	-39,571,671.43	-11,294,297.08



III. Cash Flows from Financing Activities:				
Cash received from investment				
Including: Cash received from minority shareholders of subsidiaries				
Cash received from borrowings	3,000,000.00		150,000,000.00	150,000,000.00
Cash received from bonds issuing				
Cash received relating to financing activities	938,373,800.28	901,296,005.42		
Sub-total of cash inflows of financing activities	941,373,800.28	901,296,005.42	150,000,000.00	150,000,000.00
Cash paid for repayments of borrowings	211,509,922.39	199,775,772.34		
Cash paid for dividends, profit distribution or interest	3,597,978.03	8,340.00	2,545,403.57	
Including: dividends or profits paid to minority shareholders by subsidiaries				
Other cash paid relating to financing activities	709,534,561.56	709,533,838.65	1,550.97	
Sub-total of cash outflows of financing activities	924,642,461.98	909,317,950.99	2,546,954.54	
Net cash inflow from financing activities	16,731,338.30	-8,021,945.57	147,453,045.46	150,000,000.00
IV. Effect of foreign exchange rate changes	-171,373.86		-4,666,295.01	
V. Net decrease in cash and cash equivalents	759,652,128.73	514,428,401.63	-284,158,237.40	-295,876,355.78
Add : Opening amount of cash and cash equivalents	845,026,867.06	358,631,499.14	752,558,414.47	556,082,988.52
VI. Closing balance of cash and cash equivalents	1,604,678,995.79	873,059,900.77	468,400,177.07	260,206,632.74

#### 4.4 Auditor's report

Audit opinion: Un-audited

Board of Directors of  
Konka Group Co., Ltd  
Apr. 30, 2009