

KONKA GROUP CO., LTD.
INTERIM REPORT 2010

KONKA GROUP CO., LTD.

CHAIRMAN OF THE BOARD: HOU SONG RONG

AUGUST 2010

KONKA GROUP CO., LTD

FULL TEXT OF INTERIM REPORT 2010

Important Notice

The Board of Directors, the Supervisory Committee as well as all the directors, supervisors and senior executives of KONKA GROUP CO., LTD (hereinafter referred to as the Company), hereby assure that there are no false records, misleading statements or significant omissions in this report, and they would shoulder any individual as well as joint responsibility concerning the authenticity, accuracy and completeness of the contents.

This Interim Report has been examined and approved by the 46th meeting of the 6th Board of Directors of the Company.

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.

After careful examination, the 15th meeting of the 6th Supervisory Committee believes that the Interim Report 2010 and its Summary have faithfully, accurately and completely reflected the financial status, business achievement, corporate administration and business development of the Company in the interim of 2010.

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

The Interim Financial Report of the Company has not been audited.

This report was prepared in both Chinese and English. Should there be any difference in interpretation between the two versions, the Chinese version shall prevail.

Contents

- I. Company Profile.
- II. Changes in Share Capital and Shares Held by Principal Shareholders
- III. Particulars about Directors, Supervisors and Senior Executives
- IV. Report of the Board of Directors
- V. Significant Events
- VI. Financial Report
- VII. Documents Available for Reference

I. Company Profile

(I) Basic information of the Company

1. Legal Name of the Company in Chinese: 康佳集团股份有限公司
Abbreviation in Chinese: 康佳集团
Legal Name of the Company in English: KONKA GROUP CO., LTD.
Abbreviation in English: KONKA GROUP
2. Legal Representative: Chairman of the Board, Mr. Hou Songrong
3. Secretary of Board of Directors: Mr. Xiao Qing
Securities Affairs Representative: Mr. Wu Yongjun
Contact Address: Konka Group Co., Ltd., Overseas Chinese Town, Shenzhen, P. R. C.
Tel.: 0755-26608866
Fax: 0755-26601139
E-mail: szkonka@konka.com
4. Registered (Office) Address: Overseas Chinese Town, Nanshan District, Shenzhen
Post Code: 518053
Internet Website: <http://www.konka.com>
E-mail: szkonka@konka.com
5. Newspaper Designated for Disclosing the Information of the Company: Securities Times and etc.
Internet Website Designated by CSRC for Publishing the Interim Report: <http://www.cninfo.com.cn>
The Place Where the Interim Report is Prepared and Placed: Secretariat of the Board of Directors of the Company
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock: Shen Konka A, Shen Konka B
Stock Code: 000016, 200016
7. Date of the Initial Registration: 1 Oct. 1980
Place of the Initial Registration: Shenzhen City
8. Registration Code of Enterprise Business License: 440301501121863
9. Registration Code of Tax: 440301618815578
10. CPA firm engaged by the Company
Name: RSM China Certified Public Accountants Co., Ltd.
Address: 8-9/F, Block A, Corporate Square, 35 Financial Street, Xicheng District, Beijing

(II) Main financial data and indices

1. Main accounting data and financial indices (Unit: RMB Yuan)

Items	At the end of report period	At the end of last year	Increase/decrease (%)
Total assets	13,374,857,869.25	13,568,083,128.38	-1.42
Owners' equity (or	3,918,638,320.39	3,875,367,861.56	1.12

shareholders' equity)			
Share capital	1,203,972,704.00	1,203,972,704.00	0.00
Net assets per share attributable to shareholders of listed company	3.25	3.22	0.93
Items	In the report period (Jan. -Jun.)	The same period of last year	Increase/decrease (%)
Operating revenue	7,940,183,795.09	5,172,000,028.20	53.52
Operating profit	32,449,533.57	83,178,884.78	-60.99
Total profit	80,297,180.96	87,602,573.02	-8.34
Net profit attributable to shareholders of listed company	50,887,520.39	80,302,015.01	-36.63
Net profit attributable to shareholders of listed company after deducting non-recurring gain and loss	35,625,098.49	75,004,503.91	-52.50
Basic earnings per share	0.0423	0.0667	-36.58
Diluted earnings per share	0.0423	0.0667	-36.58
Net return on equity	1.30%	2.12%	-0.82
Net cash flows arising from operating activities	-1,968,450.22	99,694,380.71	-101.97
Net cash flows per share arising from operating activities	-0.0016	0.0828	-101.93

2. Items of non-recurring gains and losses (Unit: RMB Yuan)

Items	Amount	Note (if applicable)
Profit and loss from disposal of non-current assets	14,413,137.27	-
Governmental grants counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies	7,373,346.55	-
Profit or loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company	-5,324,378.65	-
Other non-operating income and expenses besides the above items	3,392,967.22	-
Effect on income tax	-4,324,623.39	-
Effect on minority interests	-268,027.10	-
Total	15,262,421.90	-

3. There existed no difference between the domestic and overseas financial statements of the Company.

II. Changes in Share Capital and Shares Held by Principal

Shareholders

(I) Changes in share capital

During the report period, the Company's total number of shares and share structure both remained unchanged.

(II) Time to list and trade for shares subject to moratorium

Unit: share

Time	Number of shares can be listed newly after expiration of moratorium	Balance of shares subject to trading moratorium	Balance of shares not subject to trading moratorium	Remark
30 Mar. 2010	198,381,940	0	198,381,940	

Note: 1. In accordance with commitments made by OCT Group Corporation and THOMSON INVESTMENTS GROUP LIMITED (original shareholders with non-tradable shares of the Company) when implemented share merger reform, the shares subject to trading moratorium can be listed for trading or transferred since 30 Mar 2008. However, by the disclosing date of this report, OCT Group Corporation holding shares subject to trading moratorium had never applied to Shenzhen Stock Exchange for release of shares subject to trading moratorium.

2. Shares subject to trading moratorium in the table excluded shares subject to trading moratorium held by senior executives.

(III) Particulars about shares held by top ten shareholders and top ten shareholders with tradable shares at the end of report period:

Number of shares held by the top ten shareholders holding shares subject to moratorium and the moratorium

Unit: Share

No.	Name of shareholders subject to moratorium	Number of shares held subject to moratorium	Number of shares subject to trading moratorium applied actually	Time to be listed and traded	Newly increased shares to be listed and traded	Moratorium
1	Overseas Chinese Town Group Company	198,381,940	198,381,940	30 Mar. 2010	0	Notes

Note: 1. The original shareholder of the Company, Overseas Chinese Town Group Company, promised not to trade or transfer the non-tradable shares of Konka Group within 24 months since the day those shares were authorized with listing and circulating rights in A share market. After the expiration of the aforesaid commitment, the total former non-circulating shares of Konka Group 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. In accordance with commitments made by OCT Group Corporation (original non-tradable shareholders of the Company) when implemented share merger reform, the shares subject to trading moratorium can be listed for trading or transferred since 30 Mar. 2008. However, by the disclosing date of this report period, OCT Group Corporation holding shares subject to trading moratorium had never applied to Shenzhen Stock Exchange for release of shares subject to trading moratorium.

3. In the table, shares subject to trading moratorium held by senior executives of the Company were out of consideration.

(IV) Particulars about the shares held by the top ten shareholders and the top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total number of shareholders						109,769
Particulars about shares held by top ten shareholders						
Name of shareholder	Nature of shareholder	Proportion of share held (%)	Total shares held	Shares held subject to trading moratorium	Shares pledged or frozen	
Overseas Chinese Town Group Company	State-owned corporation	19.00	228,754,783	198,381,940	0	
HOLY TIME GROUP LIMITED	Foreign corporation	4.02	48,375,250	0	Unknown	
GAOLING FUND, L. P.	Foreign corporation	2.19	26,400,625	0	Unknown	
BOCI SECURITIES LIMITED	Foreign corporation	1.65	19,917,659	0	Unknown	
Dacheng Value Growth Securities Investment Fund	Domestic non-state-owned corporation	1.22	14,658,389	0	Unknown	
NOMURA SECURITIES CO. LTD	Foreign corporation	1.12	13,500,000	0	Unknown	
NAM NGAI	Foreign natural person	0.98	11,751,620	0	Unknown	
Bank of China—Invesco Great Wall Dingyi Stock Open Securities Investment Fund	Domestic non-state-owned corporation	0.91	10,994,958	0	Unknown	
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	Foreign corporation	0.83	9,999,997	0	Unknown	
ICBC—Hua An Mid-cap and Small-cap Growth Stock Securities Investment Fund	Domestic non-state-owned corporation	0.82	9,923,097	0	Unknown	
Particulars about shares held by the top ten shareholders not subject to moratorium						
Name of shareholder		Numbers of shares not subject to		Type of shares		

	moratorium held	
HOLY TIME GROUP LIMITED	48,375,250	Domestically listed foreign shares
Overseas Chinese Town Group Company	30,372,843	Renminbi ordinary shares
GAOLING FUND, L.P.	26,400,625	Domestically listed foreign shares
BOCI SECURITIES LIMITED	19,917,659	Domestically listed foreign shares
Dacheng Value Growth Securities Investment Fund	14,658,389	Renminbi ordinary shares
NOMURA SECURITIES CO. LTD	13,500,000	Domestically listed foreign shares
NAM NGAI	11,751,620	Domestically listed foreign shares
Bank of China—Invesco Great Wall Dingyi Stock Open Securities Investment Fund	10,994,958	Renminbi ordinary shares
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	9,999,997	Domestically listed foreign shares
ICBC—Hua An Mid-cap and Small-cap Growth Stock Securities Investment Fund	9,923,097	Renminbi ordinary shares
Explanation on associated relationship among the aforesaid shareholders or acting-in-concert	Overseas Chinese Town Group Corporation, the first principal shareholder, neither has any related relationship with other shareholders, nor has joined in any consistent actions; the Company is not aware whether the other shareholders have joined in any consistent action or have related relationships among them.	

(V) Particulars about shareholders holding over 5% shares

Name	Type of shares held	Nature of enterprise	Legal representative	Date of foundation	Registered capital (RMB '0000)	Main operations
Overseas Chinese Town Group Company	Domestic corporate shares	Wholly State-funded company	Ren Kel ei	Nov. 1985	RMB 200,000	Development and operation of real estate and hotels; operation of tourism and relevant cultural industries; manufacture of electronics and supporting packing products.

(VI) Particulars about controlling shareholder and actual controller

In the report period, the first principal shareholder and actual controller of the Company remained unchanged, both being Overseas Chinese Town Group Corporation.

III. Particulars about Directors, Supervisors and Senior Executives

(I) Shares held by directors, supervisors and senior executives of the Company

1. Shares held by directors, supervisors and senior executives of the

Company remained unchanged in the report period.

2. In the report period, directors, supervisors and senior executives of the Company neither hold stock option of the Company nor be authorized restricted shares.

(II) Change of directors, supervisors and senior executives of the Company in report period

1. During the report period, members of the Board of Directors remained unchanged while members of the Supervisory Committee changed.

A staff representative meeting of the Company was held on 8 Feb. 2010, at which agreed Mr. Ye Xi yang did n ' t take post of staff supervisor of the Supervisory Committee of KONKA Group due to work transfer. At the staff representative meeting, unanimously approved to elect Mr. Liu Yong as the staff supervisor of the 6th Supervisory Committee at by vote.

2. During the report period, senior executives of the Company remained unchanged.

IV. Report of the Board of Directors

(I) Overall operation in the report period

The Company mainly engages in the production and operation of color TV, digital mobile phones, white home appliances, LED products as well as the supporting products (such as high-frequency head, tools, injection mould, and package, etc), and belongs to the industries of electronics manufacture and telecommunication manufacture.

For the report period, the Company achieved an sales income of RMB 7,940,183,795.09, up by 53.52% year on year; a net profit of RMB 50,887,520.39, down by 36.63% year on year; and an earning per share amounting to RMB 0.0423.

1. The main business income in the report period rose year on year mainly due to the reason that the Company continued to encourage product innovations, create differently fine products and increase product competitiveness.

In the report period, all business units of the Company continued to carry out the value operation strategy, emphasize the awareness of aggressiveness, an open mind and the awareness of reform and innovation, and expedite the reform of the marketing organization. Meanwhile, the Company worked hard to improve its R&D capability, stick to product innovation, tighten quality control and develop differently fine products, which mad come true a rapid development of its color TV, cell phone and white-electricity appliance businesses and other main businesses.

In terms of its color TV business in the report period, the Company focused on new technology research and development and introduced a " fine product project " to increase technological contents, create superstar products and increase added value. LED TV products and internet TV took up a larger

and larger proportion in the product structure, which was greatly improved. As an outstanding representative product of the fine product project, the Konka Net Rui LED Intelligent TV took the lead to adopt the Konka open platform technology, which reflected the Company's advance response to the market. Through the open SDK software development tool, Net Rui LED TV was able to realize smooth operation of any application program and provide more intelligent TV experience for consumers. What's more, the Net Rui LED Intelligent TV also adopted the LED high-definition screen and the color wheel technology. The IVRIV color vision solution, a color technology for color TVs, provided the best picture quality all over the world. With the strong driving force of Net Rui LED Intelligent TVs, the report period witnessed a strong sales of the Company's liquid-crystal flat-panel TVs, with a soaring volume and amount of sales as compared with the same period of last year.

During the report period, the Company further carried forward the internationalization strategy, expanded the overseas market, and made innovations in terms of products and marketing means. For the first half as a whole, the Company achieved a sales income of RMB 2,095,885,600 from the overseas market, up by 184.52% year on year, representing the highest figure at the same period in the history of overseas sales.

In terms of the cell phone business, the Company made itself stand out among other cell phone makers by its speed to constantly improve the product structure. While maintaining a rapid development in the overseas market, the Company continued to reinforce the channel layout in the domestic market, strictly controlled risks and further solidified its position in the domestically-made cell phone market.

As for the white home appliance business, the Company followed the market trends to develop, with energy saving as the main line, fine products with fashionable appearance, a unique fresh technology and a high performance-cost ratio. Meanwhile, it actively expanded marketing channels for its white home appliance products and increased the channel coverage rate to make come true a steady growth of the white home appliance business.

2. The net profit achieved by the Company in the report period registered a year-on-year decrease due to reasons as follows

(1) During the report period, in order to fight for a larger share in the flat-panel TV market, most domestic and foreign color TV brands resorted to measures such as price reduction, which resulted in mounting competition over prices of flat-panel TVs. Particularly since the second quarter, foreign color TV brands started to reduce their prices in the terminal end to an unprecedentedly low level and domestic brands were forced to follow. As such, the gross profit rate of the Company's products was brought down quickly, which explained why the gross profit rate of the Company's flat-panel TVs in the report period was much lower than

the same period of last year.

(2) Expenses on market expansion increased to some degree because the Company was trying to make Konka a more powerful brand in the flat-panel TV market and fight for a larger share in the market.

(3) The slow introduction of new products also affected profitability of the Company's color TV products to some extent in the report period. Due to the reasons mentioned above, the net profit attributable to the parent company achieved by the Company in the first half of 2010 went down from that at the same period in 2009.

(II) Analysis on financial indices of the Company

Unit: RMB Yuan

Items	Jan. – Jun. 2010	Jan. – Jun. 2009	Increase/decrease year-on-year (%)
Operating income	7,940,183,795.09	5,172,000,028.20	53.52
Operating cost	6,700,253,316.40	4,191,720,715.02	59.84
Administrative expense	246,449,124.58	214,206,657.60	15.05
Operating expense	927,839,634.02	670,563,855.90	38.37
Financial expense	22,524,675.26	16,182,434.83	39.19
Operating profit	32,449,533.57	83,178,884.78	-60.99
Net profit	50,887,520.39	80,302,015.01	-36.63
Net cash flows from operating activities	-1,968,450.22	99,694,380.71	-101.97
Items	30 Jun. 2010	31 Dec. 2009	Increase/decrease (%)
Total assets	13,374,857,869.25	13,568,083,128.38	-1.42
Shareholders' equity	3,918,638,320.39	3,875,367,861.56	1.12
Account receivable	1,144,937,235.58	1,302,066,597.13	-12.07
Fixed assets	1,413,045,879.05	1,433,674,626.29	-1.44
Retained profit	652,626,692.19	613,778,898.84	6.33

Explanation and analysis on changes of some main items:

1. Operating expense was up by 38.37% year on year mainly due to the reasons that marketing expense increased as a result of income increase and that more efforts were made in promotion and advertising activities.

2. Financial expense was up by 39.19% year on year mainly due to the increase in interest expense on the short-term operating financing business.

(III) Particulars about main operations classified according to industries, products and regions and statement of their comparison with those of the same period of last year

1. Main operations classified according to industries and products

Unit: RMB Ten thousand

Industries	Product	Income from main operations	Cost of main operations	Gross profit	Comparison with that of the same period of last year
------------	---------	-----------------------------	-------------------------	--------------	--

	ts			ratio (%)	Increase/decrease of income (%)	Increase/decrease of cost (%)	Increase/decrease of gross profit ratio (%)
Manufacturing of multi-media	Color television	604,459.42	510,497.37	15.54	62.02	67.39	-2.72
Manufacturing of communication	Mobile phone	97,256.15	85,400.98	12.19	37.66	35.90	1.14
Others		87,198.47	71,180.92	18.37	30.16	49.03	-10.34

2. Main operations classified according to regions

Unit: RMB Ten thousand

Region	Operating income	Increase/decrease from last year (%)
Domestic	579,325.49	32.55
Overseas	209,588.56	184.52
Total	788,914.04	54.47

(IV) Operation of shareholding companies whose earnings influenced over 10% of the net profit of the Company

No shareholding company with earnings influencing over 10% of the net profit of the Company existed in the report period.

(V) Major problems and difficulties met in operation during the first half of the year

In order to fight for a larger share in the flat-panel TV market, most domestic and foreign color TV brands resorted to measures such as price reduction, which resulted in mounting competition over prices of flat-panel TVs. As such, the gross profit ratio of the Company's flat-panel TVs decreased considerably as compared with that at the same period of last year.

() Investment of the Company

1. In the report period, the Company neither raised fund nor had significant investment.

2. Particulars about significant project invested with non-raised fund
In the report period, the Company did not invest significant project with non-raised fund.

(VII) Fair value measurement

At the end of report period, assets adopted fair value measurement of the Company was financial assets available for sale, which was equity of Vanke A.

As for the financial assets available for sale, the Company initially

measured in accordance with fair value obtained, relevant transaction charge listed in initial confirmed amount, gains or losses from change of fair value directly listed in owners' equity, which transferred into current gains and losses when the financial assets was confirmed. Fair value was market value of financial assets available for sale. During the report period, impact on owners' equity calculated with fair value measurement referred to notes to financial statement.

V. Significant Events

(I) corporate governance

In the report period, the Company operated in strict accordance with the Company Law, Securities Law and relevant regulations and laws set by CSRC and Shenzhen Stock Exchange. Based on the relevant regulations newly issued, the Company amended its Specific Rules for Engaging CPA Firm and formulated the Rules for Responsibility Locating in Major Errors in Annual Report Disclosure. At the same time, it continued to perfect its corporate governance structure, standardize the operation and better the information disclosure. And all the resolutions made by the Shareholders' General Meeting and the Board of Directors were faithfully executed. The actual corporate governance of the Company was in line with regulatory documents issued by CSRC on the corporate governance of listed companies.

() Particulars about profit distribution, capitalization and share issuance

Examined and approved at the 2009 Annual Shareholders' General Meeting, the Company's profit distribution plan for the year 2009 was detailed as follows:

1. 10% of the net profit as recognized in the parent company's accounting statements for the year 2009, i.e. RMB 2,524,736.37, was withdrawn as statutory surplus reserves;
2. The remaining net profit of 2009 after withdrawing the statutory surplus reserves was kept as the retained profit for the year, which, together with the retained profit for the year 2008, became the sources of profit distribution for the year of 2009.

Plan of profit distribution: based on the total shares of 1,203,972,704 shares at the end of 2009, a cash dividend of RMB 0.1 (tax included) was distributed for every 10 shares to all the shareholders. And a total dividend of RMB 12,039,727.04 was distributed, with the rest of the retained profit carried forward for distribution in the future years. The said profit distribution plan had been implemented, with the date of record and the ex-dividend date for A shares respectively on 14 Jul. 2010 and 15 Jul. 2010, and the last trading date, the ex-dividend date and the date of record for B shares respectively on 14 Jul. 2010, 15 Jul. 2010

and 19 Jul. 2010.

() Significant lawsuits and arbitrations

In the report period, the Company was not involved in any significant lawsuits or arbitrations.

(IV) Other significant events, as well as analysis and explanation on their influence and relevant solutions

1. Equity of other listed companies held by the Company

Unit: RMB

Stock code	Short form of stock	Initial investment amount	Proportion in the equity of the said company	Book value at period-end	Gains and losses in report period	Changes in owners' equity in report period	Accounting entry	Source of stock
000002	Vanke	2,311,748.07	0.00%	1,114,445.00	0.00	-368,752.26	Financial assets available for sale	Subscription of new stock
600891	ST CHURIN	9,000,000.00	3.84%	9,000,000.00	0.00	0.00	Financial assets available for sale	Subscription of corporate shares
Total	-	11,311,748.07	-	10,114,445.00	0.00	-368,752.26	-	-

Notes: 1. The equities of other listed companies held by the Company as shown in the table above were those included in the accounting items of long-term equity investment and financial assets available for sale.

2. The gains and losses in the report period in the table above referred to the effect of an investment on the consolidated net profit of the Company in the report period.

2. Statement on derivatives investment

<p>Analysis on Risks of Positions of Derivatives Held and Explanations on Control Measures during the Period of Report (including but not limited to the market risk, liquidity risk, credit risk, operational risk, legal risk, etc).</p>	<p>For each NDF portfolio transaction conducted by the company, the yield to maturity is fixed, so no risk will occur.</p> <p>The major risks that may arise from the NDF portfolio transactions conducted by the Company include:</p> <ol style="list-style-type: none"> 1. The risk due to the possible bankruptcy of the deposit pledge bank. If the deposit pledge bank becomes bankrupt, the deposit pledged in such bank may be difficult to be recovered in full. 2. The risk due to the possible bankruptcy of the bank engaging in overseas NDF portfolio business. In case of the bankruptcy, the earnings on NDF portfolio business may not be paid. <p>The Company always engages in NDF transactions with large-sized banks such as Bank of China, which have steady operations and sound credit</p>
--	---

	standing with a low possibility of becoming bankrupt, so we do not consider the loss arising from the possible bankruptcy of such banks.
The changes to the market prices and the fair value of the derivatives invested in the Period of Report, and the methods and setting of relevant assumptions and parameters to be disclosed in the analysis on the fair value of the derivatives.	As the yield to maturity is fixed for the NDF portfolio business conducted by the Company, no changes have taken place to the fair value.
Notes on any major change in the basic principals of accounting policies and accounting of the Company's derivatives comparing with those of last report period in this report period	Up to the Date of Announcement, there is no special accounting method applicable to the NDF portfolio business conducted by the Company, and the accounting principles are subject to the <i>Accounting Standards for Business Enterprises</i> .
Notes on whether there is any significant change to the accounting policies and principles applicable to the derivatives invested by the Company during the Period of Report, and the specific opinions of the independent director(s), the sponsor or the financial consultant on the Company's derivatives investments and the risk control.	The Company's independent director believes that conducting the NDF business is necessary for the Company because it can benefit the Company from RMB floating exchange rates, enabling the Company to achieve the risk-free fixed income, and that as the Company is improving its internal control system for the derivatives investment, the specific risk control measures taken are enforceable.

2. Positions of derivatives investments held at the end of the period of report

Unit: RMB

Type of contract	Amount of contract at the beginning	Amount of contract at end of the Period	Profit & loss during period of report	Percentage of amount of contract at end of period to the net assets at end of the period
NDF Portfolio Business	2,584,356,800.00	1,794,700,000.00	19,350,000.00	45.80%
Total	2,584,356,800.00	1,794,700,000.00	19,350,000.00	45.80%

3. In the report period, the Company held no equities of financial enterprises such as commercial banks, securities banks, insurance companies, trust companies and futures companies, as well as companies to be listed.

(V) Significant asset acquisition, sale and reorganization

1. In the report period, the Company did not conduct any significant asset acquisition, sale or reorganization.
2. In the report period, there existed no transferring of property rights

or creditor's rights and liabilities, for the Company did not conduct any significant asset acquisition, sale or reorganization.

(VI) Significant related transactions

1. Related transactions with controlling shareholder and its subsidiaries
 During the first half of 2010, there existed some related transactions between the Company and its controlling shareholder—Overseas Chinese Town Group Company—and its subsidiaries, mainly involving the Company's paying property management fee, water and power fee, land use fee to and purchasing goods from the latter. All the involved transactions were conducted fairly based on normal market prices, with no harm done to the Company and the other shareholders of the Company. For more details, please refer to "5. Transactions with related companies" in the "Note VIII" to the accounting statements of the financial report.

2. Implementation of related transactions arising from routine operation
 (Unit: RMB)

Type of related transactions	Further classification according to product or labor service	Related parties	Total implemented amount in the first half of 2010		Proportion in the same kind of transactions
Purchase of raw materials	Raw material for color TV	Anhui Huali Packaging Co., Ltd.	15,088,297.02	28,486,885.75	0.28
		Hui Zhou Huali Packing Co., Ltd.	4,415,621.43		0.08
		Shenzhen Huali Packing & Trading Co., Ltd	559,711.13		0.01
		Shanghai Huali Packing Co., Ltd	6,193,885.44		0.11
	Instruction books	Guangzhou Panyu Hualiyoude Color Printing & Packing Co., Ltd.	2,229,370.73		0.04

Notes: Proportion in the same type of transaction refers to the proportion in raw materials for TV use.

(1) The Company has published the Forecasting Public Notice on Routine Affiliated Transaction (public notice No. 2010-11) on *Securities Times*, *Shanghai Securities News*, *China Securities Journal* and Hong Kong *Ta Kung Pao* as well as the Internet website designated by CSRC <http://www.cninfo.com.cn> on April 30, 2010. In the report period, the basis for pricing, transaction price, transaction amount and settlement methods of raw packaging material purchased by the Company from Anhui Huali Packing Co., Ltd, Hui Zhou Huali Packing Co., Ltd., Shanghai Huali Packing Co., Ltd. And Guangzhou Panyu Hualiyoude Color Printing & Packing

Co., Ltd., were basically in accordance with the forecast; in the report period, the business with Shenzhen Huali Packing & Trading Co., Ltd was transferred to Huizhou Huali Packing Co., Ltd step by step. It was forecasted that the basis for pricing, transaction price, transaction amount and settlement methods of raw material purchased by the Company from Shenzhen Huali Packing & Trading Co., Ltd and Huizhou Huali Packing Co., Ltd was basically in accordance with the forecast that from Huizhou Huali Packing Co., Ltd.

(2) Business transactions between the Company and the above affiliated enterprises were carried out based on the general market operation rules and the principle of fairness and justice. The Company treated such enterprises as equally as other transaction enterprises, and there was no damage to interests of the Company and all of its shareholders.

(3) Associated transactions of the Company with the above affiliated parties occurred in daily operation of the Company. They were carried out based on the principle of public bidding, and were necessary. The Company would continue the cooperation of fairness and mutual benefits with them, given the operation and development of the Company was stable. The aforesaid associated transactions were beneficial for maintaining the long-term cooperation between the Company and affiliated parties as well as promoting development of the Company's production and operation.

3. Guarantees between the Company and the affiliated parties

In the report period, no guarantee occurred between the Company and the affiliated parties.

4. Joint external investment between the Company and the affiliated parties

In the report period, the Company did not involve in joint external investment with affiliated parties.

5. In the report period, the Company did not conduct any other significant related transactions.

(VII) Significant contracts and their implementation

1. In the report period, the Company did not hold in trust, contract or lease assets of other companies, or vice versa.

2. In the report period, the Company did not entrust others with financial affairs.

(VIII) Commitments made by shareholders

Commitment	Promisee	Contents of commitment	Implementation
Commitment made in the share reform	Overseas Chinese Town Group Company	(1) No trading or transferring of the non-tradable shares of Konka Group held by OCT Group would be conducted within 24 months since the date when those shares became tradable in the A-share market. (2) After the expiration of the aforesaid commitment, the originally non-tradable shares of Konka Group sold by OCT Group	Up until now, no shares subject to trading moratorium have been traded or

		through listing at the stock exchange would not exceed 5% of Konka Group's total shares within 12 months, and not exceed 10% within 24 months.	transferred.
Commitment concerning share trading moratorium	Naught	Naught	Naught
Commitment in the acquisition report or the report on equity changes	Naught	Naught	Naught
Commitment made in the significant asset reorganization	Naught	Naught	Naught
Commitment made in the issuance	Naught	Naught	Naught
Other commitments (including supplementary ones)	Naught	Naught	Naught

(IX) Particulars about reception of visit and investigation of the Company in the report period

In the report period, the Company provided materials, which had been disclosed, to the visitors, in accordance with provisions in Guidelines of Fair Information Disclosure for Companies Listed on the Shenzhen Stock Exchange, Administrative Methods for Information Disclosure of Konka Group Co., Ltd and Investor Relations Management System of Konka Group Co., Ltd. Besides, the Company provided objective, true, accurate and complete information for visitors, which reflected actual operation and management; meanwhile, no significant non-public information was disclosed or leaked out.

Reception time	Reception place	Reception way	Visitor	Main discussion and materials provided by the Company
5 Jan. 2010	Meeting room of the Company	Field research	Guoxin Securities, Yinhua Fund and Caitong Securities	The company's core competitive power, competitive status of LED TV and the Color TV industry status of the Company
8 Jan. 2010	Meeting room of the Company	Field research	Donghai Securities and Sinosafe General Insurance	Company development strategy in Color TV industry, promotion of new products of LCD TV and competitive status of LED TV
13 Jan. 2010	Meeting room of the Company	Field research	Invesco Great Wall Funds and Morgan Stanley Huaxin Funds	Status quo of color TV industry, the Color TV industry status of the Company and competitive status of LED TV
20 Jan. 2010	Meeting room of the Company	Field research	ESSENCE SECURITIES	Development strategy of cell-phone business of the Company, market possibility of new products of color TV and progress of relevant work
26 Jan. 2010	Meeting room of the Company	Field research	Xiangcai Securities	The investment of LCD module project, basic status of the Company's business of Color TV and mobile telephone.
27 Jan. 2010	Meeting room of the Company	Field research	Central China Securities	Situation of LCD module project putting into production and development trend of color TV industry

19 Mar. 2010	Meeting room of the Company	Field research	Guotai Junan Securities and Boseru Funds, Lion Fund, Penghua Fund and CRTZ Asset management Co., Ltd	The company's core competitive power and the sales status in the project of home appliances to the countryside
22 Mar. 2010	Meeting room of the Company	Field research	Bank of China Investment	Situation of LCD module project putting into production and competitive strategy of color TV
25 Mar. 2010	Meeting room of the Company	Field research	Bank of Communications Schroder Fund	The situation about color TV, mobile telephone and market competitive power of color TV
30 Mar. 2010	Meeting room of the Company	Field research	China Asset Management	Development trend of color TV industry, market competitive power of color TV of the Company, market prospect of new products and progress of relevant work
9 Apr. 2010	Meeting room of the Company	Field research	First Shanghai Investments Ltd and China Asset Management	Competitive status of LED TV, Status quo of color TV industry and situation on cell-phone business
10 May 2010	Meeting room of the Company	Field research	Guosen Securities	Development strategy of white electricity products, situation on launching new products of LED TV and competitive status of LED TV market of the Company
10 May 2010	Meeting room of the Company	Field research	HFT Investment Management	Current status of white electricity products, industry position of color TV business and competitive status of LED TV
11 May 2010	Meeting room of the Company	Field research	CITIC Securities and Industrial Securities	sales situations in project of "Promoting Household Appliances in Rural Area" and development trends in industries of the Company's main products
24 May 2010	Meeting room of the Company	Field research	CITIC Securities	Development strategy, sales situations in project of "Promoting Household Appliances in Rural Area" and generalization of change new appliances with old ones
29 May 2010	Meeting room of the Company	Field research	Toyo Securities Asia	Competitiveness of the Company's color-TV, cell-phone and white electricity products, planning and market possibility of new products
3 Jun. 2010	Meeting room of the Company	Field research	KGI Securities	Development strategy of the Company and situation of LCD module project putting into production
10 Jun. 2010	Meeting room of the Company	Field research	Morgan Stanley	Market conditions of color-TV industry, cell-phone industry and white electricity, and development concept of the Company
11 Jun. 2010	Meeting room of the Company	Field research	CLSA Asia-Pacific Markets	Business development, and internal management of the Company
21 Jun. 2010	Meeting room of the Company	Field research	Everbright Securities	Competitiveness of the Company's color-TV, cell-phone and white electricity products, and market possibility of new products

(X) Other significant events

In the report period, the Company, its Board of Directors and directors received no investigations, administrative punishment or criticism by circular from CSRC, as well as no punishment from other administrative authorities or open criticism from the stock exchange.

(XI) Index for information disclosed

1. Public Notice on Change of Employee Supervisor; Public Notice No. : 2010-01; Disclosure Date: 10 Feb. 2010.
2. Public Notice on NDF Portfolio Business; Public Notice No. : 2010-04; Disclosure Date: 6 Mar. 2010
3. Public Notice on Estimate of Routine Related Transaction in 2010; Public Notice No. : 2010-11; Disclosure Date: 30 Apr. 2010
4. Public Notice on Retroactive Accounting Adjustment; Public Notice No. : 2010-12; Disclosure Date: 30 Apr. 2010

All the said public notices were disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hong Kong Ta Kung Pao and www.cninfo.com.cn.

(XII) Explanation on capital flows and guarantees between the Company and its related parties

1. Capital flows between the Company and its related parties by 30 Jun. 2010

(Unit: RMB ' 0000)

Name of related party	Relationship with the Company	Accounting entry	Beginning balance	Debit	Credit	Closing balance	Occupation way	Repayment way	Whether or not an irregular capital occupation prohibited by document No. 56
Shenzhen OCT East Co., Ltd.	Subsidiary of the principal shareholder	Accounts receivable	380.80	579.11	409.85	550.06	Operating	Cash	No
Chengdu Tianfu OCT Industry Development Co., Ltd.	Subsidiary of the principal shareholder	Accounts receivable	361.72	-	214.60	147.12	Operating	Cash	No
Century (Beijing) OCT Co., Ltd.	Subsidiary of the principal shareholder	Accounts receivable	6.25	90.00	173.94	-77.69	Operating	Cash	No
Shenzhen Konka Energy Technology Co., Ltd.	Affiliated company	Accounts receivable	-	-	-	-	Operating	Cash	No
Shanghai OCT Investment & Development Co., Ltd.	Subsidiary of the principal shareholder	Accounts receivable	55.07	-	-	55.07	Operating	Cash	No
Shenzhen OCT	Subsidiary of the	Other					Operat	Cash	No

Real Estate Co., Ltd.	principal shareholder	receivables	121.22	4.13	0.64	124.71	ing		
Shenzhen OCT Property Management Co., Ltd	Subsidiary of the principal shareholder	Other receivables	7.74	-	-	7.74	Operating	Cash	No
Shenzhen OCT Water and Power Company	Subsidiary of the principal shareholder	Other receivables	103.34	446.80	423.34	126.80	Operating	Cash	No
Shanghai Huali Packaging Co., Ltd.	Subsidiary of the principal shareholder	Accounts payable	-	670.82	724.68	-53.87	Operating	Cash	No
Shenzhen Huali Packing & Trading Co., Ltd.	Subsidiary of the principal shareholder	Accounts payable	165.89	65.03	71.35	159.57	Operating	Cash	No
Shenzhen Huayou Package Co., Ltd.	Sub-subsidiary of the principal shareholder	Accounts payable	0.02	-	-	0.02	Operating	Cash	No

2. Particulars about guarantees

In the report period, the Company provided no guarantees for its holding subsidiaries or any other external parties.

3. Special explanation and independent opinion of independent directors on the Company's provision of external guarantees and executing the Circular of CSRC on Certain Issues Regarding Regulating Capital Flows between Listed Companies and Related Parties and Regarding Provisional of External Guarantees by Listed Companies (ZJF [2003] No. 56)

According to the Circular of CSRC on Certain Issues Regarding Regulating Capital Flows between Listed Companies and Related Parties and Regarding Provisional of External Guarantees by Listed Companies (ZJF [2003] No. 56), as the independent directors of Konka Group Co., Ltd. (hereinafter referred to as "the Company"), we conducted specific examinations on the capital flows between the Company and its related parties, as well as on the external guarantees provided by the Company. And we hereby express our independent opinions as follows:

1. Up to 30 Jun. 2010, the principal shareholder of the Company had not occupy any capital of the Company; and the capital occupation by some related parties of the principal shareholder (Shenzhen OCT Real Estate Co., Ltd., Shenzhen OCT Property Management Co., Ltd., Shenzhen OCT Water & Power Co., Ltd., etc.) was mainly resulted from the deposit collection and other timing differences arising from routine business contacts.

2. The operational capital flows between the Company and its principal shareholder and the related parties of the principal shareholder during

the first six months of 2010 were specified as follows:

(1) There were related transactions concerning the Company's purchase of raw materials from Anhui Huali Packing Co., Ltd Hui Zhou Huali Packing Co., Ltd., Shanghai Huali Packing Co., Ltd. and Guangzhou Panyu Hualiyoude Color Printing & Packing Co., Ltd., which were subsidiaries indirectly controlled by the principal shareholder of the Company. The said related transactions had been submitted to and approved by the relevant board meetings, which were later disclosed to the public. The Company settled the relevant accounts with the said related parties at fixed periods according to relevant contracts, and consequently, there occurred no non-operational capital flows.

(2) There existed small-amount operational capital flows arising from the Company's selling TV walls to and repairing TV walls for some subsidiaries of the principal shareholder (Shenzhen OCT East Co., Ltd., Chengdu Tianfu OCT Industry Development Co., Ltd., etc.).

3. During the first half of 2010, there occurred no non-operational capital flows between the Company and its principal shareholder and the latter's related parties.

4. Up to 30 Jun. 2010, the Company had been operating in a regular manner with no provision of guarantees for external parties.

To sum up, we were of the opinion that the Company did not violate relevant provisions in the Document ZJF [2003] No.56.

Independent Directors: Feng Yutao, Yang Haiying and Zhang Zhong

(XIII) Significant asset pledge

As approved at the 39th Meeting of the 6th Board of Directors and the Annual Shareholders' General Meeting in 2009, the Company applied to Bank of China for a comprehensive credit line not exceeding RMB 5.6 billion with a term of two years. At the same time, the Company provided the following assets for Bank of China as pledge: (1) bank's acceptance bills receivable with the par value of specific time point not lower than RMB 1.2 billion; (2) house properties of Dongguan Konka Electronics Co., Ltd. with the original value about RMB 180 million; (3) loan for Konka R&D Building provided with pledge of land use right certificate of the project, and then pledged with title deed when the project was established and the title deed was finished.

VI. Financial Report

The interim financial report 2010 of the Company (unaudited) is attached behind.

VII. Documents Available for Reference

1. Text of the interim report 2010 carrying the signature of Chairman of the Board of Directors;
2. Text of financial report carrying the signatures and seals of person in charge of the Company, chief in charge of accounting and person in charge of the accounting organization;
3. Texts of all documents disclosed on newspapers designated by CSRC;
4. Text of the Company ' s Articles of Association;
5. Other relevant materials.

Board of Directors

Konka Group Co. , Ltd.

31 AUG. 2010

Konka Group Co., Ltd.

FINANCIAL REPORT

For the period from Jan. 2010 to Jun. 2010

(un-audi ted)

Contents

Balance Sheet

Income Statement

Cash Flow Statement

Statement of Changes in Owners' Equity

Notes to Accounting Statements

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Balance Sheet

Prepared by: Konka Group Co., Ltd.

30 Jun. 2010

Unit: (RMB) Yuan

Items	Closing balance		Beginning balance	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	2,845,093,161.87	2,233,550,941.15	3,624,480,380.25	2,920,787,369.99
Settlement reserve				
Dismantle fund				
Transaction financial asset			3,673,164.00	2,781,054.00
Notes receivable	2,797,430,209.07	2,345,491,045.73	2,807,539,700.27	2,679,933,632.86
Account receivable	1,144,937,235.58	785,878,682.21	1,302,066,597.13	1,105,121,784.81
Account paid in advance	189,532,879.94	492,569,630.69	275,850,813.27	259,306,577.60
Premiums receivable				
Reinsurance premium receivable				
Reinsurance contract reserves receivable				
Interest receivable	13,187,535.33	12,499,828.04	32,529,920.96	29,442,469.13
Dividend receivable		19,092,952.03		
Other receivables	165,931,695.55	518,168,273.59	19,572,445.66	863,563,519.29
Buying back the sale of financial assets				
Inventories	4,258,509,762.19	3,506,221,694.95	3,580,780,457.01	2,880,442,228.65
Non-current assets due within 1 year				
Other current assets				
Total current assets	11,414,622,479.53	9,913,473,048.39	11,646,493,478.55	10,741,378,636.33
Non-current assets:				
Loans and advances				
Available-for-sale financial assets	9,795,361.80	9,795,361.80	10,268,121.10	10,268,121.10
Held-to-maturity investments				
Long-term account receivable				
Long-term equity investment	61,104,576.15	1,298,602,169.87	57,800,445.23	1,278,602,169.87
Investment properties				
Fixed assets	1,413,045,879.05	374,871,054.19	1,433,674,626.29	397,886,724.19

Construction in progress	138,548,628.29	100,619,834.39	61,087,946.18	35,542,625.38
Engineering material				
Disposal of fixed assets			20,851,110.89	
Production biological assets				
Oil-gas assets				
Intangible assets	166,627,790.12	18,422,465.21	167,502,525.56	18,952,170.77
Development expenses				
Goodwill	3,943,671.53		3,943,671.53	
Long-term deferred expenses	12,535,914.10	5,016,077.38	15,774,783.95	6,011,778.39
Deferred income tax assets	154,633,568.68	138,795,932.20	150,686,419.10	139,410,896.12
Other non-current assets				
Total of non-current assets	1,960,235,389.72	1,946,122,895.04	1,921,589,649.83	1,886,674,485.82
Total assets	13,374,857,869.25	11,859,595,943.43	13,568,083,128.38	12,628,053,122.15

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Balance Sheet (Continued)

Prepared by: Konka Group Co., Ltd.
Yuan

30 Jun. 2010

Unit: (RMB)

Current liabilities:				
Short-term borrowings	3,980,050,288.15	3,688,890,561.08	2,770,014,060.00	2,553,412,550.00
Borrowings from central bank				
Deposits and due to banks and other financial institutions				
Call loan received				
Transaction financial liabilities	1,661,744.00	1,409,434.00		
Notes payable	2,380,582,059.85	2,026,496,784.14	2,884,697,072.42	2,546,131,169.12
Account payable	1,980,497,062.73	1,657,516,138.02	2,599,242,285.04	2,490,629,061.71
Account received in advance	200,479,404.84	111,447,884.90	279,331,464.38	162,177,552.53
Financial assets sold for repurchase				
Handling charges and commissions payable				
Payroll payable	173,699,000.28	79,608,953.20	193,217,075.52	94,499,554.84
Tax payable	-321,176,496.00	-288,736,678.04	-132,897,711.14	-74,701,335.32

Interest payable	9,628,358.03	9,090,108.84	23,633,016.78	21,675,319.92
Dividend payable	16,048,530.52	12,039,727.04	804,527.20	
Other account payable	698,494,906.19	689,854,053.23	763,923,600.66	940,384,863.17
Reinsurance premiums payable				
Insurance contract reserves				
Money paid for acting trading of securities				
Money paid for acting underwriting of securities				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	9,119,964,858.59	7,987,616,966.41	9,381,965,390.86	8,734,208,735.97
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Long-term payables				
Specific payables				
Estimated liabilities				
Deferred income tax liabilities	1,308,715.59	611,831.88	1,308,715.59	611,831.88
Other non-current liabilities	98,441,048.48	71,205,048.48	78,541,048.48	62,205,048.48
Total non-current liabilities	99,749,764.07	71,816,880.36	79,849,764.07	62,816,880.36
Total liabilities	9,219,714,622.66	8,059,433,846.77	9,461,815,154.93	8,797,025,616.33
Owner's equity (or shareholder's 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 reserves	1,257,080,975.32	1,248,950,808.74	1,257,449,727.58	1,249,319,561.00
Less: treasury stock				
Specific reserves				
Surplus reserves	809,307,995.80	809,307,995.80	809,307,995.80	809,307,995.80
Provisions for general risks				
Retained profits	652,626,692.19	537,930,588.12	613,778,898.84	568,427,245.02
Foreign exchange difference	-4,350,046.92		-9,141,464.66	
Total owners' equity attributable to parent company	3,918,638,320.39	3,800,162,096.66	3,875,367,861.56	3,831,027,505.82
Minority interest	236,504,926.20		230,900,111.89	
Total owner's equity	4,155,143,246.59	3,800,162,096.66	4,106,267,973.45	3,831,027,505.82

			5	
Total liabilities and owner's equity	13,374,857,869.25	11,859,595,943.43	13,568,083,128.38	12,628,053,122.15

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Income Statement

Prepared by: Konka Group Co., Ltd.

Jan. -Jun. 2010

Unit: (RMB)

Yuan

Items	Current period		Last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total operation income	7,940,183,795.09	7,565,353,506.27	5,172,000,028.20	4,329,763,251.61
Including: Sales income	7,940,183,795.09	7,565,353,506.27	5,172,000,028.20	4,329,763,251.61
Interest income				
Premium income				
Handling charges and commission income				
II. Total operation cost	7,905,714,013.79	7,632,624,904.44	5,090,423,890.96	4,286,504,527.20
Including: Cost of sales	6,700,253,316.40	6,686,604,551.61	4,191,720,715.02	3,555,349,542.17
Interest expenses				
Handling charges and commission expenses				
Surrender value				
Net amount of claims				
Net amount of insurance contract reserve withdrawn				
Expenditure on policy dividends				
Reinsurance premium expenses				
Taxes and associate charges	1,481,488.39	422,417.70	1,501,410.71	564,937.43
Selling expenses	927,839,634.02	786,219,597.76	670,563,855.90	584,764,007.10
Administrative expenses	246,449,124.58	139,578,001.27	214,206,657.60	140,842,934.39
Financial expenses	22,524,675.26	16,253,542.17	16,182,434.83	9,934,612.96
Impairment loss	7,165,775.14	3,546,793.93	-3,751,183.10	-4,951,506.85
Add: gain from change in fair value (" - " means loss)	-5,334,908.00	-4,190,488.00	2,178,002.85	2,178,002.85

Gain from investment (" - " means loss)	3,314,660.27	19,103,481.38	-575,255.31	1,350,000.00
Including: income from investment in affiliated enterprise and joint ventures	3,304,130.92		-575,255.31	
Foreign exchange difference (" - " means loss)				
III. Operation profit (" - " means loss)	32,449,533.57	-52,358,404.79	83,178,884.78	46,786,727.26
Add: non-operation income	52,364,509.45	38,868,524.81	6,278,055.51	3,479,033.75
Less: non-business expense	4,516,862.06	1,693,970.37	1,854,367.27	889,650.21
Including: loss from non-current asset disposal	283,324.10	212,460.68	753,175.86	462,078.33
IV. Total profit (" - " means loss)	80,297,180.96	-15,183,850.35	87,602,573.02	49,376,110.80
Less: income tax expense	19,784,172.49	3,273,079.51	12,616,092.53	6,853,138.30
V. Net profit (" - " means loss)	60,513,008.47	-18,456,929.86	74,986,480.49	42,522,972.50
Attributable to owners of parent company	50,887,520.39	-18,456,929.86	80,302,015.01	42,522,972.50
Minority interest	9,625,488.08		-5,315,534.52	
VI. Earnings per share				
(I) Basic earnings per share	0.0423	-0.0153	0.0667	0.1934
(II) Diluted earnings per share	0.0423	-0.0153	0.0667	0.1934
VII. Other composite income	4,422,665.48	-368,752.26	971,370.48	591,242.40
VIII. Total composite income	64,935,673.95	-18,825,682.12	75,957,850.97	43,114,214.90
Attributable to owners of parent company	55,310,185.87	-18,825,682.12	81,273,385.49	43,114,214.90
Minority interest	9,625,488.08	-	-5,315,534.52	-

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Cash Flow Statement

Prepared by: Konka Group Co., Ltd.

Jan. -Jun. 2010

Unit: (RMB)

Yuan

Items	Current period		Last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	9,468,101,045.07	7,778,062,165.90	6,575,122,853.39	5,762,056,807.56
Net increase of deposits from				

customers and due from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of savings of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of borrowed inter-bank funds				
Net increase of buy-back funds				
Tax refunds received	141,105,164.31	30,175,004.83	38,971,081.08	11,796,183.47
Other cash received relating to operating activities	147,423,140.63	425,771,643.58	134,216,272.04	168,237,617.44
Subtotal of cash inflows from operating activities	9,756,629,350.01	8,234,008,814.31	6,748,310,206.51	5,942,090,608.47
Cash paid for purchase of commodities and reception of service	7,753,978,854.62	6,844,247,948.81	5,090,616,508.09	4,897,784,258.68
Net increase of customer lending and advance				
Net increase of funds deposited in the central bank and amount due from banks				
Cash for paying claims of the original insurance contract				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	548,892,574.34	309,818,063.70	433,766,746.42	258,790,124.13
Various taxes paid	776,122,648.52	612,827,937.88	680,438,593.05	580,139,020.60
Other cash paid relating to operating activities	679,603,722.75	576,323,747.24	443,793,978.24	328,248,721.95

Subtotal of cash outflows from operating activities	9,758,597,800.23	8,343,217,697.63	6,648,615,825.80	6,064,962,125.36
Net cash flows from operating activities	-1,968,450.22	-109,208,883.32	99,694,380.71	-122,871,516.89
II. Cash Flows from investment activities:				
Cash received from disposal of investments	95,940.00	95,940.00		
Cash received from investment income	10,529.35	10,529.35		1,350,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30,098,396.52	26,603,217.52	4,092,314.92	3,000,754.21
Net cash received from disposal of subsidiary or other business units				
Other cash received relating to investment activities			10,164,944.00	
Subtotal of cash inflows from investment activities	30,204,865.87	26,709,686.87	14,257,258.92	4,350,754.21
Cash paid to acquire fixed assets, intangible assets and other long-term assets	170,905,523.41	77,165,340.26	101,003,020.36	5,596,863.88
Cash paid for investment		20,000,000.00		
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units				
Other cash paid relating to investment activities	69,000,000.00	69,000,000.00		
Subtotal of cash outflows from investment activities	239,905,523.41	166,165,340.26	101,003,020.36	5,596,863.88
Net cash flows from investment activities	-209,700,657.54	-139,455,653.39	-86,745,761.44	-1,246,109.67
III. Cash flows from financing activities:				
Cash received from absorbing investment				
Including: Cash received by subsidiaries from investment of minority interest				
Cash received from borrowings	1,231,028,524.94	1,003,818,000.00	1,387,409,892.00	1,247,289,300.00
Cash received from issuance of bonds				

Other cash received relating to financing activities	1,599,292,865.39	1,458,579,686.30	1,458,711,172.54	1,131,355,911.64
Subtotal of cash inflows from financing activities	2,830,321,390.33	2,462,397,686.30	2,846,121,064.54	2,378,645,211.64
Cash paid to repay loans	1,896,587,469.09	1,630,445,526.14	856,297,186.92	675,542,098.17
Cash paid for interest expenses and distribution of dividends or profit	7,815,231.89	3,095,860.70	9,144,221.25	
Including: dividends or profit paid to minority shareholders by subsidiaries				
Other cash payments relating to financing activities	500,024,110.99	479,005,766.00	1,406,885,638.20	1,266,157,839.52
Sub-total of cash outflows from financing activities	2,404,426,811.97	2,112,547,152.84	2,272,327,046.37	1,941,699,937.69
Net cash flows from financing activities	425,894,578.36	349,850,533.46	573,794,018.17	436,945,273.95
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-5,576,575.02	-3,777,925.59	-4,032,221.84	-3,696,290.89
V. Net increase in cash and cash equivalents	208,648,895.58	97,408,071.16	582,710,415.60	309,131,356.50
Add : beginning balance of cash and cash equivalents	749,501,416.29	341,440,119.99	845,026,867.06	358,631,499.14
VI. Closing balance of cash and cash equivalents	958,150,311.87	438,848,191.15	1,427,737,282.66	667,762,855.64

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

(IV) Profit distribution							-12,039,727.04		-4,020,673.77	-16,060,400.81
1. Withdrawing surplus public reserve										
2. Withdrawing general risk reserve										
3. Distribution to owners (or shareholders)							-12,039,727.04		-4,020,673.77	-16,060,400.81
4. Others										
(V) Internal carrying forward of owners' equity										
1. New increase of capital (or share capital) from capital reserves										
2. Converting surplus reserves to capital (or share capital)										
3. Surplus reserves make up losses										
4. Others										
(VI) Specific reserves										
1. Appropriated in current period										
2. Used in current period										
IV. Balance at the end of this period	1,203,972,704.00	1,257,080,975.32			809,307,995.80		652,626,692.19	-4,350,046.92	236,504,926.20	4,155,143,246.59

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Konka Group Co., Ltd.

30 Jun. 2010

Unit: (RMB) Yuan

Items	Amount for the year 2009									
-------	--------------------------	--	--	--	--	--	--	--	--	--

	Owners' equity attributable to parent company								Minority interests	Total owners' equity
	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of last year	1,203,972,704.00	1,256,138,295.21			804,896,533.82		500,638,125.11	9,397,273.34	224,430,267.07	3,999,473,198.55
Add: change of accounting policy										
Correction of errors in previous periods										
Others										
II. Balance at the beginning of this year	1,203,972,704.00	1,256,138,295.21			804,896,533.82		500,638,125.11	9,397,273.34	224,430,267.07	3,999,473,198.55
III. Increase/ decrease of amount in this year (" - " means decrease)		591,242.40					20,103,379.81	380,128.08	-10,831,658.95	10,243,091.34
(I) Net profit							80,302,015.01		-5,315,534.52	74,986,480.49
(II) Other composite income		591,242.40						380,128.08		971,370.48
Subtotal of (I) and (II)		591,242.40					80,302,015.01	380,128.08	-5,315,534.52	75,957,850.97
(III) Capital input and reduction of owners										
1. Capital input of owners										
2. Amount of stock payment included in the owners' equity										
3. Others										
(IV) Profit distribution							-60,198,635.20		-5,516,124.43	-65,714,759.63
1. Withdrawing surplus public reserve										
2. Withdrawing general risk reserve										
3. Distribution to owners (or							-60,198,635.20		-5,516,124.43	-65,714,759.63

I. Balance at the end of last year	1,203,972,704.00	1,249,319,561.00			809,307,995.80		568,427,245.02	3,831,027,505.82
Add: change of accounting policy								
Correction of errors in previous periods								
Others								
II. Balance at the beginning of this year	1,203,972,704.00	1,249,319,561.00			809,307,995.80		568,427,245.02	3,831,027,505.82
III. Increase/ decrease of amount in this year (" - " means decrease)		-368,752.26					-30,496,656.90	-30,865,409.16
(I) Net profit							-18,456,929.86	-18,456,929.86
(II) Gain/loss listed to owners ' equity directly		-368,752.26						-368,752.26
1. Net amount of changes in fair value of financial assets available for sale		-368,752.26					-18,456,929.86	-18,825,682.12
2. Effect of changes in other owners ' equity of invested units under equity method								
3. Effect on income tax related to items listed to owners ' equity								
4. Others								
Subtotal of (I) and (II)								
(III) Capital input and reduction of owners							-12,039,727.04	-12,039,727.04
1. Capital input of owners								
2. Amount of stock payment included in the owners ' equity								
3. Others							-12,039,727.04	-12,039,727.04
(IV) Profit distribution								
1. Withdrawing surplus public reserve								

II. Balance at the beginning of this year	1,203,972,704.00	1,248,889,511.18			804,896,533.82		588,922,722.41	3,846,681,471.41
III. Increase/ decrease of amount in this year (" - " means decrease)		591,242.40					-17,675,662.70	-17,084,420.30
(I) Net profit							42,522,972.50	42,522,972.50
(II) Gain/loss listed to owners ' equity directly		591,242.40						591,242.40
1. Net amount of changes in fair value of financial assets available for sale		591,242.40					42,522,972.50	43,114,214.90
2. Effect of changes in other owners ' equity of invested units under equity method								
3. Effect on income tax related to items listed to owners ' equity								
4. Others								
Subtotal of (I) and (II)								
(III) Capital input and reduction of owners							-60,198,635.20	-60,198,635.20
1. Capital input of owners								
2. Amount of stock payment included in the owners ' equity								
3. Others							-60,198,635.20	-60,198,635.20
(IV) Profit distribution								
1. Withdrawing surplus public reserve								
2. Distribution to owners (or shareholders)								
3. Others								
(V) Internal carrying forward of owners '								

equity								
1. New increase of capital (or share capital) from capital reserves								
2. Converting surplus reserves to capital (or share capital)								
3. Surplus reserves make up losses								
4. Others								
IV. Balance at the end of this period	1,203,972,704.00	1,249,480,753.58			804,896,533.82		571,247,059.71	3,829,597,051.11

Regal Representative: Hou Songrong

Person-in-charge of Accounting: Yang Rong

Person-in-charge of the Accounting Agency: Ruan Renzong

Konka Group Co., Ltd.

Notes to Financial Statements

For the First Half Year of 2010

(Unless otherwise specified, the currency is RMB)

I. Company Profile

1. Establishment

Konka Group Co., Ltd. (hereinafter referred to as “Company” or “the Company”), is a joint-stock limited company reorganized from the former Shenzhen Konka Electronic Co., Ltd. in August 1991 upon approval of the People’s Government of Shenzhen Municipality, and has its ordinary shares (A-share and B-share) listed on Shenzhen Stock Exchange with prior consent from the People’s Bank of China Shenzhen Special Economic Zone Branch. On August 29, 1995, the Company, renamed to “Konka Group Co., Ltd.”, obtained corporate business license (registration No.: 440301501121863) with its main business falling into electronic industry.

2. Share Capital Changes upon Establishment

On November 27, 1991, with approval from the SRYFZ No. 102 [1991] document as issued by the People’s Bank of China Shenzhen Special Economic Zone Branch, Shenzhen Konka Electronic Co., Ltd., during December 8—December 31, 1991, has issued 128,869,000 RMB ordinary shares (A-share) at a par value of RMB1.00 per share, of which the original net assets were converted into 98,719,000 state-owned institutional shares, 30,150,000 new shares were issued, including 26,500,000 circulating shares issued to the public and 3,650,000 staff shares issued to the staff of the Company.

On January 29, 1992, with approval from the SRYFZ No. 106 [1991] document as issued by the People’s Bank of China Shenzhen Special Economic Zone Branch, Shenzhen Konka Electronic Co., Ltd., during December 20, 1991—January 31, 1992, has issued to investors abroad 58,372,300 RMB special shares (B-share) at a par value of RMB1.00 per share, of which 48,372,300 shares held by the former foreign investor and founder—Hong Kong Ganghua Electronic Group Co., Ltd. are converted into foreign legal person’s shares, and 10,000,000 B-shares are issued additionally.

On April 10, 1993, the *Proposal on Profit Distribution and Dividend Payout 1992* was adopted at the second general meeting of shareholders of the Company. With approval from the SZBF No. 2 [1993] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY 1992 as of April 30, 1993: distributing RMB 0.90 in cash plus 3.5 bonus shares for every 10 shares to all shareholders. The total capital stock reached 187,473,150 shares after this

distribution.

On April 18, 1994, the *Proposal on Profit Distribution and Dividend Payout 1993* was adopted at the third general meeting of shareholders of the Company. With approval from the SZBF No. 115 [1994] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY1993 as of June 10, 1994: distributing RMB 1.10 in cash plus 5 bonus shares (including 4.4 profit bonus shares and 0.6 bonus share capitalized from capital public reserve) for every 10 shares to all shareholders. The total capital stock reached 281,209,724 shares after this distribution and capitalization from capital public reserve.

On June 2, 1994, in accordance with the provisions that “staff shares could go public and be transferred six months after listing”, as jointly promulgated by the State Commission for Restructuring the Economic System and the State Council’s Securities Commission, the staff shares of the Company was planned to be listed on the flow on June 6, 1994, with the prior consent of Shenzhen Securities Regulatory Office and Shenzhen Stock Exchange.

On October 8, 1994, the *Proposal on Negotiable Bonus Shares of B-Share Corporate Shareholders 1992* was adopted at the 1994 interim general meeting of shareholders of the Company. With approval from the SZBF No. 224 [1994] document as issued by Shenzhen Securities Regulatory Office, the 16,930,305 bonus shares for FY 1992 granted to foreign legal persons were listed and negotiated at B-share market on October 26, 1994.

On February 6, 1996, the *Proposal on Share Allotment Modes 1996* was adopted at the 1996 interim general meeting of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB 6.28/A-share and HKD 5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock reached 365,572,641 shares after this allotment.

On January 25, 1998, the *Plan on Share Allotment 1998* was adopted at the 1998 interim general meeting of shareholders of the Company. With approval from the ZZBZ No. 29 [1998] document as issued by Shenzhen Securities Regulatory Office, and ZJSZ No.64 [1998] document as issued by China Securities Regulatory Commission, on July 15, 1998, negotiable A-shares were allotted in proportion of 3:10 at RMB 10.50/A-share. For such reasons as continued weakness in B-share secondary market (lower than share allotment price), B-share negotiation and allotment plan was canceled, and the corporate shareholders of the Company waived the preemptive right. The total capital stock reached 389,383,603 shares after this allotment.

On June 30, 1999, the *Proposal on Profit Distribution and Capitalization from Capital Public Reserve 1998* was adopted at the eighth general meeting of shareholders of the Company. On August 20, 1999, the profit distribution for FY 1998 was carried out: all shareholders were presented RMB3.00 in cash for every 10 shares, plus 2 shares capitalized from capital public reserve. The total capital stock reached 467,260,323 shares after this capitalization.

On June 30, 1999, the *Plan on A-Share Issue for Capital Increase* was adopted at the eighth general meeting of shareholders of the Company. With approval from the ZJFXZ No.140 [1999] document as issued by China Securities Regulatory Commission, on November 1, 1999, 80,000,000 A-shares were additionally issued to the public at RMB15.50/share. The total capital stock reached 547,260,323 shares after this additional issue.

On May 30, 2000, the *Plan on Profit Distribution and Dividend Payout 1999* was adopted at the ninth general meeting of shareholders of the Company. On July 25, 2000, the profit distribution for FY 1999 was carried out: all shareholders were distributed RMB4.00 in cash plus 1 bonus shares for every 10 shares. The total capital stock reached 601,986,352 shares after this distribution.

On April 3, 2008, the 7th meeting of the sixth Board of Directors was convened, during which the following resolutions were discussed and adopted: based on the total capital stock of 601,986,352 shares for the year ended December 31, 2007, capitalization from capital public reserve was made to all shareholders at a proportion of 1:1, namely 10 new shares for every 10 existing shares. And the said resolution was subject to approval by the 2007 annual general meeting of shareholders convened on May 26, 2008. The Company, in June 2008, implemented the capitalization from capital public reserve and went through the formalities for transfer registration with China Securities Depository and Clearing Corporation Limited. On December 16, 2008, with approval from the SMGZF No. 2662 [2008] document as issued by Shenzhen Bureau of Trade and Industry, the Company was agreed to increase its share capital, and went through the formalities for registration of changes with the administration for industry and commerce on April 10, 2009. The total capital stock reached 1,203,972,704 shares after change.

3. Approved business scope: research and development, production and operation of such household appliances as televisions, refrigerators, washing machines, and personal electronic appliances; manufacturing and application of home AV, IPTV set-top boxes, digital TV receivers, digital products, mobile phones, mobile communication equipments and terminal products, daily-use electronic products, automotive electronic products, satellite navigation systems, intelligent transportation systems,

fire-fighting and security systems, office equipments, computers, displays, large screen display systems; manufacturing and packaging of LED (OLED) back light, illumination and light-emitting devices; production and operation of electronic parts and components, moulds, plastic and rubber products, and packing materials, and technical consultancy and services of related products (Among the above production items in business scope, all of which are produced in other place except for mobile phones); wholesale, retail, import & export and relevant support services of the aforesaid products (including spare parts) (Commodities subject to state trading management are not involved. Products involved in quota, license management and other specified management shall be subject to the relevant state provisions.); sale of self-developed technological achievements; provision of maintenance services for electronic products; domestic freight forwarding; warehousing services; consultancy on enterprise management; and self-owned property leasing and management services.

4. A check list of corporate names and their abbreviations mentioned in this Report

Corporate name	Abbreviations
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Video & Communication Systems Engineering
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	Precision Mold
Shenzhen Konka Electronic Co., Ltd.	Konka Electronic
Shenzhen Konka Information Network Co., Ltd.	Information Network
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Shushi da Electronic Co., Ltd.	Shushi da
Shenzhen Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Konka Industrial Co., Ltd.	Mudanjiang Konka
Shaanxi Konka Electronic Co., Ltd.	Shaanxi Konka
Chongqing Konka Electronic Co., Ltd.	Chongqing Konka
Chongqing Konka Automotive Electronic Co., Ltd.	Chongqing Electronic
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Konka Household Appliances Co., Ltd.	Anhui Household Appliances
Changshu Konka Electronic Co., Ltd.	Changshu Konka
Kunshan Konka Electronic Co., Ltd.	Kunshan Konka
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing
Dongguan Konka Mould Plastic Co., Ltd.	Dongguan Mould Plastic
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Precision

Corporate name	Abbreviations
Konka (Nanhai) Development Center	Nanhai Institute
Hongkong Konka Co., Ltd.	Hongkong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
KONKA AMERICA, INC.	KONKA AMERICA
Konka (Europe) Co., Ltd.	Konka Europe
Shenzhen Wankaida Science & Technology Co., Ltd	Shenzhen Wankada
Shenzhen Konka Optoelectronics Technology Co., Ltd	Shenzhen Optoelectronics
Konka (Kunshan) Real Estate Investment Co., Ltd.	Kunshan Real Estate
Dongguan Xutongda Mould Plastic Co., Ltd.	Xutongda

The financial statements of the Company were submitted upon approval of the board of directors on July 26, 2010.

II. Basis for the formulation of financial statements

The financial Statements of the Company have been prepared on a going concern basis in the light of actually occurred transactions and events, in accordance with *Accounting Standard for Business Enterprises - Basic Standard* promulgated in February 2006 by the Ministry of Finance and 38 specific accounting standards, guidelines, explanations and other relevant provisions promulgated subsequently (hereinafter referred to as “*Accounting Standards for Business Enterprises*”).

III. Declaration on compliance with the accounting standards for business enterprises

The financial statements of the Company prepared for the first half year of 2010 are in conformity with the requirements of the accounting standards for business enterprises, presenting truthfully and completely the financial position for the year ended December 31, 2009, results of operations and cash flows for the first half year of 2010 of the Company. In addition, the financial statements of the Company conform, in all material aspects, to the disclosure requirements regarding financial statements and notes to financial statements of the *Compilation Rules for information disclosures by Companies that Offer Securities to the Public No. 15 -General Provisions for Financial Reports* revised by China Securities Regulatory Commission in 2009.

IV. Significant accounting policies, accounting estimates and prior period errors

1. Accounting period

The accounting period of the Company includes both fiscal year and interim

period. An interim period refers to a report period which is shorter than a full fiscal year. The fiscal year of the company begins on Jan. 1 and ends on Dec. 31 under the Gregorian calendar.

2. Recording currency

The Company adopts Renminbi as its recording currency.

3. Accounting methods of business combinations

Business combinations are classified into business combinations under the same control and business combinations not under the same control.

(1) Business combinations under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the share premium in capital surplus shall be adjusted. If the share premium is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combinations not under the same control

For a business combination not under the same control, the combination costs shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, as well as all relevant direct costs incurred to the acquirer for the business combination. For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions. Where any future event that is likely to affect the combination costs is stipulated in the combination contract, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs. The acquirer shall, on the acquisition date, measure all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree in a business combination not under the same control in light of their fair value.

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. For combination costs less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall reexamine the measurement of the fair value of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; and if, after the

reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

4. Basis for the formulation of consolidated financial statements

(1) Principle of Determining Consolidation Scope of Consolidated Financial Statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an invested enterprise so as to obtain benefits from its operating activities. Other entities, to which the Company occupies more than 50% of the total voting capital of the invested enterprise (excluding 50%) or occupies less than 50% of such capital but has actual control right, shall all be included into the scope of consolidation.

(2) Methods to work out consolidated financial statements

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and subsidiaries included into the scope of consolidation with reference to other relevant materials, after adjusting long-term equity investment by equity method and offsetting equity capital investment of the parent company and shares held by the parent company in ownership interest of subsidiaries as well as significant internal transactions and inter-office accounts. Minority stockholder's interest is presented as "minority interest" under ownership interest item of the consolidated balance sheet. Minority interest income is presented as "minority interest income" under the net profit item of consolidated income statement. Where the accounting policies adopted by a subsidiary are in conflict with those of the parent company in the preparation of consolidated financial statements, the subsidiary shall make necessary adjustments to its financial statements or prepare new financial statements in accordance with the accounting policies and accounting period of the parent company.

Where a subsidiary has been acquired through a business combination under the same control during the report period, adjustments shall be made to the beginning balance while preparing consolidated balance sheet. Where a subsidiary has been acquired through a business combination not under the same control, no adjustments shall be made to the beginning balance of consolidated balance sheet. For a subsidiary disposed of during the report period, no adjustments shall be made to the beginning balance while preparing consolidated balance sheet.

Where a subsidiary has been acquired through a business combination under the same control during the report period, the subsidiary's proceeds, and costs and profits from the beginning of the current period till end of the report period shall be appropriately included in the consolidated

income statement. Where a subsidiary has been acquired through a business combination not under the same control, the subsidiary's proceeds, and costs and profits from the day of purchase of the subsidiary till end of the report period shall be appropriately included in the consolidated income statement. For a subsidiary disposed of during the report period, the subsidiary's proceeds, and costs and profits from the beginning of the current period till the day of disposal shall be appropriately included in the consolidated income statement.

Where a subsidiary has been acquired through a business combination under the same control during the report period, the subsidiary's cash flows from the beginning of the current period till end of the report period shall be appropriately included in the consolidated cash flow statement.

Where a subsidiary has been acquired through a business combination not under the same control during the report period, the subsidiary's cash flows from the day of purchase of the subsidiary till end of the report period shall be appropriately included in the consolidated cash flow statement. For a subsidiary disposed of during the report period, the subsidiary's cash flows from the beginning of the current period till the day of disposal shall be appropriately included in the consolidated income statement.

5. Recognition criteria of cash and cash equivalents

The cash and cash equivalents of the Company comprise cash on hand, deposits that are available for payment at any time, and short-term (having been within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, .

6. Foreign currency transactions and translation of foreign currency financial statements

(1) Translation methods of foreign currency transactions

The Company shall translate the amount in a foreign currency into amount in Renminbi at the spot exchange rate of the transaction date (generally, the middle rate of foreign exchange quotations on that day, promulgated by the People's Bank of China, the same below) at the time of initial recognition of a foreign currency transaction. For foreign currency exchange or transactions involving foreign currency exchange, the amount in a foreign currency shall be translated into amount in Renminbi at real exchange rate.

(2) Translation methods of foreign currency monetary items and foreign currency non-monetary items

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet

date and the spot exchange rate at the time of initial recognition or on the prior balance sheet date shall be recorded into the profits and losses at the current period, except capitalizing balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets in accordance with the provisions of *Accounting Standards for Business Enterprises No. 17 - Borrowing Costs*. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of recording currency shall not be changed. The foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the day of determining fair value, and the balance between the recording currency amount after translation and the original recording currency amount shall be treated as changes (including change in exchange rate) in fair value, and recorded into the profits and losses at the current period.

(3) Translation methods of foreign currency financial statements

When translating the financial statements in a foreign currency into financial statements in Renminbi, the Company shall comply with the following provisions:

The asset and liability items in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statement shall be translated at the current average exchange rate of the transaction date. When disposing an overseas business, the Company shall shift the balance arising from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. If the overseas business is disposed of partially, the calculation shall be based on the disposal rate.

The balance arising from the translation of foreign currency financial statements in compliance with the aforesaid methods shall be presented separately under the owner's equity item of the balance sheet.

The cash flow statement in a foreign currency shall be translated at the current average exchange rate of the cash flow day. The amount of influence of exchange rate change in cash shall be regarded as reconciling item and be presented separately under cash flow statement.

7. Financial instruments

(1) Recognition basis of financial instruments

Recognition basis of financial instruments: the Company has become a party to financial instruments.

(2) Classification of financial instruments

Financial assets shall be classified into the following four categories

according to investment objectives and economic substance: the financial assets which are measured at their fair value and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair value and of which the variation is included in the current profits and losses; the investments which will be held to their maturity; loans and the accounts receivable; and financial assets available for sale.

Financial liabilities shall be classified into the following two categories according to economic substance: the financial liabilities which are measured at their fair value and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair value and of which the variation is included in the current profits and losses; and other financial liabilities.

(3) Measurement of financial instruments.

Financial assets and liabilities measured at their fair value and of which the variation is recorded into the profits and losses of the current period

The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair value (cash dividends declared to distribute but haven't been granted or due bond interest that hasn't been taken shall be deducted), and the transaction expenses thereof shall be directly recorded into the profits and losses of the current period. The interest or cash dividends obtained shall be recognized as investment yield during the holding period, and changes in fair value shall be recorded into the current profits and losses at the end of the period. When disposing, the difference between fair value and initially recorded amount shall be recognized as investment yield, and adjustment shall be made to profits and losses on the changes in fair value.

Investments held until their maturity

The investments held until their maturity initially recognized by the Company shall be measured at their fair value (due bond interest that haven't been taken shall be deducted) plus the transaction expenses thereof.

The interest income shall be calculated and recognized on the basis of the post-amortization costs and actual interest rate (if the difference between actual interest rate and coupon rate is insignificant, the coupon rate shall be based), and recorded into the investment yield. The actual interest rate shall be determined while acquiring, and will maintain unchanged within the predicted term of existence or within a shorter applicable term. The difference between proceeds and investment carrying amount shall be recorded into the investment yield.

Accounts receivable

For credit receivables formed for sale of commodities or rendering of services, and creditor's rights of other enterprises held by the Company excluding those of debt instruments for which there is quoted price in the active market, including accounts receivable, notes receivable, other receivables, and long-term receivables, the initially recognized amount shall be measured at their receivable prices stipulated in the contract or agreement from the buyer; for those of financing nature, the initially recognized amount shall be measured at their present value. The difference between proceeds and carrying amount of accounts receivable shall be recorded into the profits and losses at the current period while taking back or disposing.

Financial assets available for sale

The initially recognized amounts shall be measured at their fair value (cash dividends declared to distribute but haven't been granted or due bond interest that hasn't been taken shall be deducted) plus the transaction expenses thereof. The interest or cash dividends obtained shall be recognized as investment yield during the holding period. At the end of the period, measurement shall be made at fair value and changes in fair value shall be recorded into the capital surplus (other capital surplus). When disposing, the difference between proceeds and carrying amount of financial assets shall be recorded into the investment yield, and the amount of corresponding disposal part of the accumulative amount of the changes of the fair value originally recorded in the owner's equities shall be transferred out and recorded into the investment yield.

Other financial liabilities

The initially recognized amounts shall be measured at their fair value plus the transaction expense thereof. Subsequent measurement shall be made on the basis of the post-amortization costs.

(4) Recognition basis and measurement methods of the transfer of financial instruments

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial assets to the transferee, it shall stop recognizing the financial assets. If it retained nearly all of the risks and rewards related to the ownership of the financial assets, it shall not stop recognizing the financial assets.

When the Company makes a judgment about whether the transfer of a financial asset can satisfy the aforesaid conditions for stopping the recognition of a financial asset, the Company shall pay more attention to the essential of the transfer of the financial asset. The Company shall differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

the carrying amount of the transferred financial asset;

the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire carrying amount of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

the carrying amount of the portion whose recognition has been stopped;

the sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale). If the transfer of financial asset does not satisfy the conditions to stop the recognition, the Company shall continue to recognize the financial asset and shall recognize the consideration it receives as a financial liability.

(5) Determination methods of fair value of financial instruments

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair value thereof. The quotation shall be determined in accordance with the following principles:

A. In the active market, the quoted prices of the Company for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices of the Company for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge.

B. Where there is no available offer or charge for a financial asset or financial liability, the Company shall adopt the market quoted price or the adjusted market quoted price of the latest transaction, unless the Company has adequate evidences to prove that the market quoted price is not a fair value.

Where there is no active market for a financial asset or financial liability, the Company shall adopt value appraisal techniques to determine its fair value.

(6) Impairment of financial assets

The Company shall carry out an inspection, on the balance sheet day, on

the carrying amount of the financial assets. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made. The expression "objective evidence proving that the financial asset has been impaired" refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the Company.

Financial assets available for sale.

Where an investment held until its maturity measured on the basis of post-amortization costs is impaired, the carrying amount of the said investment shall be written down to the current value (the discount interest rate shall be the original actual interest rate) of the predicted future cash flow (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period.

Accounts receivable

For provision methods for bad debts of accounts receivable, please refer to "8. Accounts receivable, Article IV, Notes to Financial Statements".

Financial assets available for sale.

Where the fair value of a sellable financial asset drops significantly, or it is predicted that the down trend is non-temporal after a comprehensive consideration of all relevant factors, the impairment-related losses shall be recognized, and an impairment provision shall be made based on the difference between its fair value and carrying amount. When the impairment-related losses are recognized, the accumulative losses arising from the decrease of the fair value directly included into the owner's equity shall be transferred out and recorded into the impairment-related losses.

8. Receivables

(1) Determination of provision for bad debts

The Company shall check the carrying amount of receivables on the balance sheet date, and withdraw the provision for impairment when the following objective evidences indicating the impairment of receivables: the debtor suffers from severe financial difficulties; the debtor violates the terms and conditions of contract (e.g. the reimbursement of interests or principal is breaching the contract or overdue); the debtor is probably bankrupt or subject to other financial reorganization; other objective evidences which can indicate the impairment of receivables.

(2) Withdrawal of provision for bad debts

Determination and withdrawal of provision for bad debts of receivables with significant individual amounts

A . Determination of provision for bad debts of receivables with

significant individual amounts: the accounts receivable is the payment with the individual amount more than RMB 20 million, other receivable is the payment with the individual amount more than RMB 10 million.

B. Withdrawal of bad debts of receivables with significant individual amounts: the impairment test should be done separately. The provision for bad debts should be measured as per the balance between the carrying amount and the present value of the cash flow in future if there is an objective evidence for the impairment occurrence.

Determination and withdrawal of provision for bad debts of receivables with non-significant individual amounts with the high risk portfolio after combination upon the credit risk characteristics:

A. Basis for determination of portfolio of credit risk characteristics: the portfolio with non-significant individual amounts but with amount age more than three years.

B. Withdrawal method determined as per the portfolio of credit risk characteristics: the impairment test should be done separately. The provision for bad debts should be measured as per the balance between the carrying amount and the present value of the cash flow in future if there is an objective evidence for the impairment occurrence.

the method of withdrawal: for receivables which do not belong to individual amounts and receivables combined as per the credit risk characteristics after test, and has no impairment after being subject to the separate test, the estimated cash flow in future may not be discounted. The receivables shall be divided into several portfolios as per the amount age. The impairment loss shall be determined and the provision for bad debts shall be withdrawn as per the certain proportion of balance of receivables portfolio (the balance of related parties shall not be withdrawn as the provision for bad debts). The proportion of withdrawal proportion of provision for bad debts of receivables generally shall be:

Amount age	Withdrawal proportion of accounts receivable (%)	Withdrawal proportion of other receivables (%)
Within 1 year (including 1 year, similarly hereinafter)	2	2
1-2 years	5	5
2-3 years	20	20
More than 3 years	50	50

Impairment of prepayment: The prepayment shall be subject to the individual impairment test on the balance sheet date. The provision for bad debts should be measured as per the balance between the carrying amount and the present value of the cash flow in future if there is an objective evidence for the impairment occurrence.

(3) Reversal of bad debt provision

If there is any objective evidence indicating the value of receivables is recovered and is objectively related to the issue occurring after the determination of such losses, the originally determined impairment losses shall be reversed, and shall be recorded into the current profit and loss. However, the reversed carrying amount shall not exceed the amortized cost of receivables at the date of reversal under the assumption of impairment provision uncalculated.

9. Inventories

(1) Classification of inventories

Inventories of the Company mainly include raw materials, semi-finished products, commodity stocks, delivered commodities, materials on cyclic use, low-value consumables etc.

(2) Valuation of acquired and delivered inventories

The inventories shall be valued at the actual cost when being acquired. The inventory costs include purchase cost, processing cost, and other cost. The inventories shall be valued as per the weighted moving average method on issuance and delivery. The commodity stocks shall be calculated as per the planned cost. The difference between the planned cost and actual cost of commodity stocks shall be calculated as per the cost variance. The cost variance caused by delivered inventories shall be accounted periodically. The planned cost shall be adjusted into actual cost.

(3) Determination and withdrawal of provision for inventory write-down

On the balance sheet date, the inventories of the Company shall be measured at the lower of cost and net realizable value.

The net realizable value refers to the amount after the estimated selling price of the inventories deducting the cost to occur at the completion of project, estimated sales expenses and relevant taxes. Including: for the salable inventories like finished products, salable materials etc, during the normal production and operation process, the net realizable value is the amount after the estimated selling price of the inventories deducting the salable inventories and relevant taxes; for the material stocks to be processed, during the normal production and operation process, the net realizable value is the amount after the estimated selling price of the finished products deducting the cost to occur at the completion of project, estimated sales expenses and relevant taxes; for the inventories held for implementing the sales contract or labor contract, the net realizable value shall be calculated on the basis of contract price. If the quantity of inventories held by the Company is more than the ordered quantity of the sales contract, the net realizable value of the excessive inventories shall be calculated on the basis of general sales price. On the balance sheet date, if the cost of inventories is higher than the

net realizable value, the provision for inventory write-down shall be withdrawn, and recorded into the current profit and loss. If the influencing factor of the previous written-down value of inventories has vanished, the written-down amount shall be recovered and be reversed within the previous amount of provision for inventory write-down. The reversed amount shall be recorded into the current profit and loss.

(4) The inventory system shall be the perpetual inventory system.

(5) Amortization of low-value consumables and packaging

Low-value consumables and packaging shall be amortized in full amount on issuance;

10. Long-term equity investment

(1) Ascertainment of initial cost of the long-term equity investment
For the merger of enterprises under the same control, it shall regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The long-term equity investment obtained from the merger under different control shall be measured as per the ascertained merger costs. For the long-term equity investment obtained by other means, the initial cost shall be ascertained in accordance with cash which is actually paid, fair value of issuing equity securities, value stipulated in the investment contract or agreement etc. The initial investment costs include the expenses, taxes and other necessary expenditures directly related to the obtaining of long-term equity investment.

(2) Subsequent measurement and recognition of profit and loss for long-term equity investment

The cost method should be used to account for long-term equity investment where the Company is able to control the invested enterprise but does not do joint control or does not have significant influences on the invested enterprise, and has no offer in the active market, and its fair value cannot be reliably measured.

The long-term equity investment calculated by the cost method shall be valued at its initial investment cost. If there are additional investments or disinvestment, the cost of long-term equity investment shall be adjusted. The cash dividends or profits declared to be distributed by the invested enterprise shall be recognized as investment income in the current period.

The equity method is used for long-term equity investments where the Company can jointly control or has significant influence over the invested enterprise. The initial investment cost of the long-term equity investment, when is more than the fair value of the identifiable net assets of the invested enterprise during the investment, shall not be adjusted. The initial investment cost of the long-term equity investment, when is less than the fair value of the identifiable net assets of the invested

enterprise during the investment, shall have its balance recorded into the current profit and loss. The cost of long-term equity investment shall also be adjusted.

The Company should, after acquisition of the long-term equity investment, recognize the investment profits and losses and adjust the carrying amount of the long-term equity investment according to its attributable share of the invested enterprise's net profit or losses. The Company should reduce the carrying amount of the long-term equity investment by its attributable share of the invested enterprise's profit or cash dividend declared to be distributed.

The Company recognizes the net losses of the invested enterprise to the extent that the carrying amount of the long-term equity investment and other actual long-term equity which substantially form the net investment of invested enterprise are reduced to zero. The investment to which the Company has the obligation to bear the additional losses shall be excluded. If the invested enterprise realizes net profits in subsequent periods, the Company shall recover to recognize its attributable share of profits after the share of profit offsetting against its attributable share of the unrecognized losses.

The Company should, when recognizing the share of net profits and losses of the invested enterprise, recognize the adjusted net profit of the invested enterprise on the basis of the fair value of identifiable assets of the invested enterprise when obtaining the investment, as per the accounting policy and accounting period of the Company, and offset the profits and losses of the internal transaction of the Company (the losses of internal transaction which belong to the losses of assets impairment shall be recognized in full amount) occurring between the associated enterprise and joint-venture enterprise calculated as per the share proportion.

For other changes of owner's equity of the invested enterprise except the net profits and losses, the Company shall adjust the carrying amount of the long-term equity investment and record it into the owner's equity. When disposing the investment, the Company shall transfer the originally part recorded in the owner's equity (only refers to the part recorded in the capital surplus) into the current profits and losses as per the relevant proportion.

(3) Basis for determination of joint control and significant influence of the invested enterprise

Basis for determining the joint control mainly includes: any joint-venture party can not solely control the production and operation activities of the joint-venture enterprise; decision related to the basic operation activities of the joint-venture enterprise shall be subject to the unanimous consent of joint-venture parties.

Basis for determining the significant influences mainly includes: the

Company directly or indirectly (through its subsidiary) holds 20% or more but less than 50% of the voting capital of the invested enterprise (unless there is any specific evidence indicating that the Company can not participate in the decision of production and operation of the invested enterprise, and produces insignificant influences), shall be determined as the company produces significant influence over the invested enterprise. The Company holds less than 20% of the voting capital of the invested enterprise shall generally be regarded as the company produces insignificant influences over the invested enterprise.

However, under the following circumstances, the Company can be regarded as producing significant influences over the invested enterprise: A. assigning representatives in the board of directors or similar authority of the invested enterprise; B. participating in the policy-making process of the invested enterprise; C. having significant transactions with the invested enterprise; D. assigning managers to the invested enterprise; E. providing critical technical materials to the invested enterprise.

(4) Impairment test and withdrawal of provision for impairment

The Company shall determine whether the long-term equity investment has impairment on the balance sheet date. If there is any impairment, the Company should estimate the recoverable amount, and conduct the impairment test.

When the recoverable amount of the asset group of single long-term equity investment or long-term equity investment is lower than the carrying value, the Company shall reduce the carrying value to the recoverable amount, record the written-down amount into the current profits and losses, and withdraw the relevant provision for impairment of long-term equity investment.

The losses of impairment of long-term equity investment will not be reversed in the following accounting periods once they are recognized.

11. Fixed assets

(1) Recognition of fixed assets

The fixed assets of the Company refer to the tangible assets which held for the production, service offering, lease or management over one accounting year service life. The fixed assets can be recognized only when the following conditions are satisfied: the economic interests related to the fixed assets probably flow into the enterprise; the costs of the fixed assets can be reliably measured.

(2) Depreciation of fixed assets

The fixed assets should be depreciated by the straight-line method. The followings are the service life, rate of estimated net residual value and annual depreciation rate of the fixed assets:

Category	Service life	Rate of estimated net residual	Annual depreciation rate
----------	--------------	-----------------------------------	-----------------------------

		value %	%
Buildings and structures	20-40	10.00	2.25-4.50
Machinery equipment	10	10.00	9.00
Transportation equipment	5	10.00	18.00
Electronic devices	5	10.00	18.00
Other equipment	5	10.00	18.00

The Company should record the depreciation of the fixed assets with the provision for impairment recorded as per the amount after original price of fixed assets deducting the estimated net residual value and withdrawn provision of depreciation and impairment, and the residual service life. The Company shall determine the costs of a fixed asset which has reached its working condition for intend use but the final cost of construction has not yet been ascertained, and record the depreciation. The previously estimated value shall be adjusted as per the actual costs after the final cost of construction is ascertained. The recorded depreciated amount shall not be adjusted.

The Company shall review the service life, estimated net residual value and depreciation method of the fixed assets, and adjust them when necessary.

(3) Impairment test and withdrawal of provision for impairment

The Company shall determine whether the fixed assets have impairment on the balance sheet date. If there is any impairment, the Company should estimate the recoverable amount, and conduct the impairment test.

The recoverable amount can be ascertained as per the higher between the net amount after the fair value deducting the disposal expense and the present value of estimated cash flow in future of the fixed assets. The Company shall estimate the recoverable amount on the basis of single fixed asset. When the recoverable amount of the single fixed asset is lower than its carrying value, the Company shall reduce the carrying value to the recoverable amount, record the written-down amount into the current profits and losses, and record the relevant provision for impairment of long-term equity investment. The losses of impairment of fixed assets will not be reversed in the following accounting periods once they are recognized.

12. Construction in progress

The constructions in progress of the Company include the preparatory work before the commencement of the construction, work under construction, installation, technological improvement project, capital maintenance project, etc. The constructions in progress shall be valued as per the actual costs.

The construction in progress shall be transferred to fixed assets when it reaches its working condition for intend use.

The Company shall determine whether the construction in progress has

impairment on the balance sheet date. If there is any impairment, the Company should estimate the recoverable amount, and conduct the impairment test.

The recoverable amount can be ascertained as per the higher between the net amount after the fair value of the construction in progress deducting the disposal expense and the present value of estimated cash flow in future of the construction in progress. The Company shall estimate the recoverable amount on the basis of single construction in progress.

When the recoverable amount of the single construction in progress is lower than its carrying value, the Company shall reduce the carrying value to the recoverable amount, record the written-down amount into the current profits and losses, and record the relevant provision for impairment of the relevant construction in progress. The losses of impairment of construction in progress will not be reversed in the following accounting periods once it is recognized.

13. Borrowing costs

The borrowing costs refer to any interest incurred and other relevant costs of the company arise from borrowings, which including the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

(1) Recognition of capitalization of borrowing costs

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

The asset disbursements have already incurred.

The borrowing costs have already incurred.

The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Period of capitalization

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current

period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses at the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(3) Calculation of capitalized amount of borrowing costs

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period deducting the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements deducting the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

14. Intangible assets

(1) Initial Measurement of intangible assets

The intangible assets shall be initially measured according to its cost. The actual cost shall be determined as per the following principles:

The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded into profit or loss

for the credit period, unless it shall be capitalized under the Accounting Standards for Enterprises No. 17 - Borrowing Cost.

The cost invested into intangible assets by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

Self-developed intangible assets

The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions of Articles 4 to 9 of these Standards to the time when the expected purposes of use are realized, except that the expenditures which have already been treated prior to the said period shall not be adjusted.

The costs of intangible assets acquired from non-monetary assets transaction, debt recombination, government subsidies, and merger of enterprises shall be determined respectively according to the Accounting Standard for Business Enterprises No. 7 -Exchange of non-monetary assets, Accounting Standard for Business Enterprises No. 12 - Debt Restructurings, Accounting Standard for Business Enterprises No. 16 - Government Grants and Accounting Standard for Business Enterprises No. 20 -Business Combinations.

(2) Subsequent measurement of intangible assets

The Company will determine the service life of the intangible asset during the acquirement. If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with uncertain service life.

With regard to intangible assets with limited service life, its amortization amount shall be amortized within its service life systematically and reasonably. The intangible assets shall be amortized by the straight-line method.

Category	Estimated service life
Software	5 years
Patent right	5 years
Right to use a trademark	5 years
Land use right	50 years

The reasonable amortization amount of intangible assets shall be its cost deducting the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. The amortized amount of intangible assets shall be recorded into profit or loss for the current period. Intangible assets with uncertain service life may not be amortized. The Company shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life, and shall adjust them when necessary.

(3) Expenditures for the internal research and development stages

The expenditures for the internal research and development stages of the Company shall be classified into research expenditures and development expenditures. The research expenditures for its internal research and development stages of an enterprise shall be recorded into the profit or loss for the current period. The development expenditures for its internal research and development stages of an enterprise may be capitalized when they satisfy the following conditions simultaneously:

A . It is feasible technically to finish intangible assets for use or sale.

B . It is intended to finish and use or sell the intangible assets.

C . The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally.

D . It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources.

E . The development expenditures of the intangible assets can be reliably measured.

Expenditures for development stages which fail to meet the foresaid conditions shall all be recorded into the profit or loss for the current period. The development expenditures recorded in the profits and losses in the previous periods shall not be reconfirmed as assets in the following periods. The capitalized expenditures for development stages shall be listed as the development expenditures on the balance sheet. Such item can be transferred to intangible assets when it reaches its working condition for intend use.

(4) Impairment test and withdrawal of provision for impairment

The Company shall determine whether the intangible assets with limited service life have impairment on the balance sheet date. If there is any impairment, the Company should estimate the recoverable amount, and conduct the impairment test. The Company should conduct the impairment test for the intangible asset with uncertain service life no matter whether there is any impairment.

The recoverable amount can be ascertained as per the higher between the net amount after the fair value of the intangible assets deducting the disposal expense and the present value of estimated cash flow in future of the intangible assets. The Company shall estimate the recoverable amount on the basis of single intangible asset. When the recoverable amount of the single intangible asset is lower than its carrying value, the Company shall reduce the carrying value to the recoverable amount, record the written-down amount into the current profits and losses, and record the relevant provision for impairment of intangible assets. The losses of impairment of intangible assets will not be reversed in the

following accounting periods once they are recognized.

15. Long-term prepayments

Long-term prepayments are expenditures incurred by the Company that should be amortized over one year. Long-term prepayments shall be recorded as per the actual expenditures, and shall be amortized by the straight-line method within five years.

16. Estimated debts

(1) Recognition of estimated debts

The debts shall be recognized when the business related to contingencies like foreign guarantee, pending litigation or arbitration, product quality assurance, plan of staff reduction, loss contract, restructuring obligations, retirement obligation of fixed assets etc. simultaneously meet the following requirements:

The obligation is a current obligation of the enterprise.

It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation

The amount of the obligation can be measured in a reliable way.

(2) Measurement of estimated debts

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. The Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. The Company shall check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the enterprise shall adjust the book value in accordance with the current best estimate.

17. Income

Operating incomes of the Company include income from commodities sales, revenue from providing labor services and income from abalienating the right to use assets. The revenue principles and specific periods are as follows:

(1) The significant risks and rewards of ownership of the commodities have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right nor effective control over the sold commodities; The relevant amount of revenue is collected or relevant receipts are received; and the revenue can be recognized when the relevant costs incurred or to be incurred is measured in a reliable way. Recognition of incomes from exporting commodities: For FOB export, revenue can be recognized after commodities are delivered to the carriers entrusted by buyers; For CIF export, revenue can be recognized when commodities are

delivered to the docks of buyers.

(2) Labor services of the Company have been provided and the relevant amount has been collected or can be recognized when relevant receipts are received. Income from providing property management services: Property management services have been provided; the relevant economic benefits may flow into the enterprise; and the income from providing property management services can be recognized when the relevant costs incurred or to be incurred is measured in a reliable way.

(3) The economic benefits related to transactions may flow into the enterprise and the income from abalienating the right to use assets can be recognized when the relevant amount revenue is measured in a reliable way.

18. Government grants

The government grants of the Company include government grants related to assets and government grants related to profits.

(1) Recognition of government grants

No government grants may be recognized unless the following conditions are met simultaneously as follows:

- a. The enterprise can meet the conditions for the government subsidies;
- b. The enterprise can obtain the government subsidies.

(2) Measurement of government grants

Where a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. Where a government grant is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (Renminbi one Yuan).

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows:

- a. Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses are recognized; or
- b. Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

Where it is necessary to refund any government grant which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

a. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and b. If there is no deferred income concerned, it shall be directly included in the current profits and losses.

19. Deferred income tax assets/Deferred income tax liabilities

The deferred income tax of the Company is calculated in the balance sheet approach based on the temporary difference between the carrying amount of an asset or liability and its tax base and the temporary difference between the tax base and its carrying amount of items that have not been recognized as assets or liabilities on the balance sheet date.

(1) Recognition of deferred income tax assets

For deductible temporary differences and deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets are determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained unless:

The deductible temporary difference is produced in the following transactions: the transaction does not involve in business combination and the transaction neither affects the accounting profits nor affects the amount of the taxable income or deductible loss.

The relevant deferred income tax assets are recognized where the amounts of deductible temporary differences related to the investments of the subsidiary companies, associated enterprises and joint enterprise simultaneously meet the following

- a. conditions: temporary differences are likely to be reversed in the expected future; and
- b. it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

(2) Recognition of deferred income tax liabilities

Deferred income tax liabilities are recognized based on temporary differences of taxable income taxes, unless:

Temporary differences of taxable income taxes incur under the following circumstances:

- A. The initial recognition of business reputation;
- B. The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
 - a) The transaction is not business combination; and
 - b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount or the deductible loss be affected.

The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises shall recognize corresponding deferred income tax liabilities where:

- a. The investing enterprise can control the time of the reverse of temporary differences; and
- b. The temporary differences are unlikely to be reversed in the excepted future.

20. Leases

A lease that has transferred in substance all the risks and rewards related to the ownership of an asset is called finance lease. Other leases are called operating leases. The rents from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term.

21. Assets held for sale

Assets that meet the following conditions are classified as non-current assets (excluding financial assets, deferred income tax assets):

- (1) Resolution on disposal of the non-current asset has been made by the Company;
- (2) An irrevocable transfer agreement has been signed with the transferee; and
- (3) The transfer will be completed within one year.

Individual assets and asset group (referring to a group of assets that are sold as a whole or disposed in other ways) that are classified as assets held for sale are measured as their fair values minus the amount after disposal. But the values should not exceed the original carrying amount when the assets meet the criteria for being held for sale. The difference between the amount that the carrying amount is higher than the fair value and the disposal expenses is recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period.

22. Change of significant accounting policies and accounting estimate

- (1) Change of accounting policies

No change has been made to the accounting policies within the reporting period of the Company.

- (2) Change of accounting estimate

No change has been made to the accounting estimate within the reporting period of the Company.

V. Taxes

1. Main tax categories and tax rate

Tax	Tax Base	Tax Rate
Value-added tax	Income from selling commodities	17%
Business tax	Taxable income	5%
Urban maintenance and construction tax	Paid VAT and business tax	1%、5%、7%
Educational Surtax	Paid VAT and business tax	3%、4%
Corporate income tax	Income tax payable	In the year of 2010, 22% for the companies incorporated in Shenzhen except Konka Telecommunication Technology Video & Communication Systems Engineering with the income tax of 5%; 25% for the companies incorporated in other places; 16.5% for the companies incorporated in Hong Kong; and 15% for Chongqing Qingjia and Dongguan Konka Mould Plastic.

Remark: According to the *Interim Measures for the Administration of Collection of Business Income Tax for Trans-regional Business Operations*, where a resident enterprise sets up a business institution or establishment without the qualification of legal person across the regions within the territory of China, this resident enterprise shall be a consolidated taxpayer enterprise, and shall be governed by the administrative measures for enterprise income tax, namely “uniform calculation, level-by-level administration, pre-payment in place, consolidated settlement, and transfer to treasury”. These measures shall be implemented as from the date of January 1, 2008.

In accordance with the measures mentioned above, the sales branches of the Company in all parts of the country shall, as from the date of January 1, 2008, prepay the business income tax, and the Company shall make the uniform settlement in the year-end.

2. Tax preference and approved document

On December 16, 2008, the wholly-owned subsidiary of the Company-Shenzhen Konka Telecommunications Technology Co., Ltd. obtained the Certificate of High-Tech Enterprise jointly issued by Shenzhen Bureau of Science Technology & Information, Shenzhen Financial Bureau, Shenzhen Municipal State Taxation Bureau, and Shenzhen Municipal Local Taxation Bureau, valid for three years. In light of the relevant tax regulations, Shenzhen Konka Telecommunications Technology Co., Ltd. would be entitled to the relevant preferential policies concerning the hi-tech enterprise for three years in succession, and be levied the business income tax at the preferential tariff of 15%.

The company and subsidiary companies incorporated in Shenzhen except

Konka Telecommunication Technology Co., Ltd gradually implemented the legal tax rate five years after the implementation of the new tax law and implemented the tax rate of 20% in 2009 according to the relevant regulations in GF No. 39 (2007) *Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law.*

The subsidiary company Chongqing Qingjia of the Company was levied at the preferential income tax rate of 15% from year 2001 to year 2010 according to the regulations in YGSH No. (2002) 488 of Chongqing Office of State Administration of Taxation.

On November 10, 2009, the subsidiary company Dongguan Konkamould Plastic of the Company was filed for the high-tech enterprise certification by Ministry of Science and Technology, valid for three years. According to relevant taxation regulations, Dongguan Konkamould Plastic would enjoy relevant preferential policies for high-tech enterprises for successive three years since 2009 and was levied at the preferential corporate income tax rate of 15%.

On October 8, 2008, Guangdong Boluo Office of State Administration of Taxation approved the application of Bokang Precision Electronics for tax preferential in BGS No. (2008) 94 and thus Bokang Precision Electronics was exempted from the corporate income tax in year 2008 and 2009 and will be levied at 50% of the corporate income tax rate from year 2010 to year 2012.

On December 31, 2009, subsidiary of the Company-Video & Communication Systems Engineering obtained the Certificate of High-Tech Enterprise jointly issued by Science Industry Trade and Information Technology Commission of Shenzhen Municipality, Finance Commission of Shenzhen Municipality, Shenzhen Municipal State Taxation Bureau, and Shenzhen Municipal Local Taxation Bureau, valid for three years. In light of the relevant tax regulations, Shenzhen Konkamould Telecommunications Technology Co., Ltd. would be entitled to the relevant preferential policies concerning the hi-tech enterprise for three years in succession, and be levied the business income tax at the preferential tariff of 15%.

VI. Business combination and consolidated financial statements

1. Particulars about subsidiary companies

Subsidiaries obtained through establishment or investment

Name of subsidiary	Registration place	Business nature	Registered capital	Actual paid-in amount at the period-end	Net Investment Balance for Subsidiary Materially

					Constitute d
Shenzhen Konka Telecommunication Technology Co., Ltd	Shenzhen Guangdong	Mobile communication products	RMB120,000,000	12,000.00	-
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd	Shenzhen Guangdong	Development and sales of commercial televisions	RMB15,000,000	900.00	-
Dongguan Konka Mould Plastic Co., Ltd	Shenzhen Guangdong	Moulds	RMB15,968,800	739.50	-
Konka Electric and Electronic Co., Ltd	Shenzhen Guangdong	Electronic equipment	RMB8,300,000	1,073.25	-
Shenzhen Information Network Co., Ltd	Shenzhen Guangdong	Manufacturing and selling digital network products	RMB30,000,000	3,000.00	-
Shenzhen Plastic Products Co., Ltd	Shenzhen Guangdong	Plastic product manufacturing	RMB9,500,000	950.00	-
Shenzhen Shushi da Electronics Co., Ltd	Shenzhen Guangdong	Video and audio products and components	RMB42,000,000	4,200.00	-
Shenzhen Electronic Fittings Technology Co., Ltd	Shenzhen Guangdong	R&D of electronic components	RMB65,000,000	6,500.00	-
Mudanjiang Konka Industry Co., Ltd	Mudanjiang Heilongjiang	Color television products	RMB60,000,000	3,600.00	-
Shaanxi Konka Electronic Co., Ltd	Xi'an Shaanxi	Color television products	RMB69,500,000	5,529.48	-
Chongqing Konka Electronic Co., Ltd	Chongqing	Color television products	RMB45,000,000	2,700.00	-
Chongqing Konka Automotive Electronic Co., Ltd	Chongqing	Development and sales of automotive electronic equipment	RMB30,000,000	1,710.00	-
Chongqing Qingjia Electronic Co., Ltd	Chongqing	Electronic tuners	RMB15,000,000	600.00	-
Anhui Konka Electronic Co., Ltd	Chuzhou Anhui	Color television products	RMB140,000,000	12,278.09	-
Anhui Konka Household Appliance Co., Ltd	Chuzhou Anhui	Manufacturing and selling household appliance such as refrigerators	RMB78,190,000	8,087.17	-
Changshu Konka Electronic Co., Ltd	Changshu Jiangsu	Manufacturing and selling electronic products	RMB24,650,000	2,027.89	-
Kunshan Konka	Kunshan	Researching, designing	RMB350,000,000	35,000.00	-

Electronic Co., Ltd	Jiangsu		and manufacturing liquid crystal modules and flat panel television			
Dongguan Konka Electronic Co., Ltd	Dongguan Guangdong		Television and audio products	RMB266,670,000	21,582.38	7,478.40
Dongguan Konka Packing Material Co., Ltd	Dongguan Guangdong		Plastic product manufacturing	RMB10,000,000	1,000.00	-
Dongguan Konka Mould Plastic Co., Ltd	Dongguan Guangdong		Manufacturing moulds and plastic products	RMB10,000,000	1,000.00	-
Boluo Konka Printed Board Co., Ltd	Boluo Guangdong		Manufacturing and selling electronic products	RMB40,000,000	2,428.52	-
Boluo Konka Precision Technology Co., Ltd	Boluo Guangdong		Manufacturing and selling electronic products	RMB15,000,000	1,125.00	-
Konka Nanhai Institute	Foshan Guangdong		R&D of flat panel display technologies and products	RMB500,000	50.00	-
Hong Kong Konka International Electronics Co., Ltd	Hong Kong China		Exporting and importing machinery and electronic products	HKD500,000	78.18	-
Konka Household Appliances Investment & Development Co., Ltd	Hong Kong China		Investment and shareholding	HKD500,000	53.06	-
Konka Household Appliances International Trading Co., Ltd	Hong Kong China		International trade	HKD500,000	53.31	-
KONKA AMERICA, INC	USA		Selling electronic products	USD1,000,000	806.25	-
Konka (Europe) Ltd	Europe		Selling electronic products	EUR25,000	26.15	-
Shenzhen Wankai da Science & Technology Co., Ltd	Shenzhen China		Research and development of technology of electronic device	RMB10,000,000	1,000.00	-
Shenzhen Konka Optoelectronics Technology Co., Ltd	Shenzhen China		Research and development of technology of electronic device	RMB10,000,000	1,000.00	-
Konka (Kunshan) Real	Kunshan		Real estate investment	RMB200,000,000	20,000.00	-

Estate Investment Co., Ltd	Jiangsu						
Xutongda	Dongguan Guangdong	Manufacturing moulds and plastic products	RMB5,000,000	500.00			-

Continued

Unit: RMB Yuan

Name of subsidiary	Holding proportion (%)	Percentage of vote rights (%)	Is consolidated financial statement applied?	Equity of the minority shareholders	Amount of equity of minority shareholders used to offset income/losses of the minority shareholder	Owner's equity of the parent company used to offset the balance between the current loss borne by the minority shareholders of the subsidiaries and the shares enjoyed by the minority shareholders in the owner's equity of the subsidiaries
Shenzhen Konka Communication Technology Ltd	100.00	100.00	Yes	-	-	-
Shenzhen Konka & Video Communication Systems Engineering Ltd	60.00	60.00	Yes	3,910,506.10	-	-
Dongguan Konka Mould Plastic Ltd	46.31	52.49	Yes	65,722,357.01	-	-
Konka Electric and Electronic Ltd	51.00	51.00	Yes		-	-8,411,441.73
Shenzhen Information Network Co., Ltd	100.00	100.00	Yes	-	-	-
Plastic product manufacturing	100.00	100.00	Yes	-	-	-
Shenzhen Shushi da Electronics Ltd	100.00	100.00	Yes	-	-	-
Shenzhen Electronic	100.00	100.00	Yes	-	-	-

Fittings Technology Co., Ltd								
Mudanjiang Electronics Ltd	Konka Co.,	60.00	60.00	Yes	20,618,592.40	-		-
Shaanxi Electronic Ltd	Konka Co.,	60.00	60.00	Yes	43,422,987.76	-		-
Chongqing Electronic Ltd	Konka Co.,	60.00	60.00	Yes	5,794,700.80	-		-
Chongqing Automotive Electronic Ltd	Konka Co.,	57.00	57.00	Yes		-	-3,910,642.32	
Chongqing Electronic Ltd	Qingjia Co.,	40.00	40.00	Yes	17,061,227.12	-		-
Anhui Electronic Ltd	Konka Co.,	78.00	78.00	Yes	51,904,887.81	-		-
Anhui Household Appliance Co., Ltd	Konka	96.46	97.45	Yes	1,999,249.49	-		-
Changshu Electronic Ltd	Konka Co.,	60.00	60.00	Yes	9,819,432.63	-		-
Kunshan Electronic Ltd	Konka Co.,	100.00	100.00	Yes	-	-		-
Dongguan Electronic Ltd	Konka Co.,	100.00	100.00	Yes	-	-		-
Dongguan Packing Material Co., Ltd	Konka	100.00	100.00	Yes	-	-		-
Dongguan Mould Plastic Co., Ltd	Konka	59.73	100.00	Yes	-	-		-
Boluo Printed Board Co., Ltd	Konka	51.00	51.00	Yes	16,250,985.08	-		-
Boluo	Konka	100.00	100.00	Yes	-	-		-

Precision Technology Co., Ltd	0							
Konka Nanhai Institute	100.00	100.00	Yes	-	-	-		
Hong Kong Konka International Electronics Co., Ltd	100.00	100.00	Yes	-	-	-		
Konka Household Appliances Investment & Development Co., Ltd	100.00	100.00	Yes	-	-	-		
Konka Household Appliances International Trading Co., Ltd	100.00	100.00	Yes	-	-	-		
KONKA AMERICA, INC	100.00	100.00	Yes	-	-	-		
Konka (Europe) Ltd	100.00	100.00	Yes	-	-	-		
Shenzhen Wankai da Science & Technology Co., Ltd	100.00	100.00	Yes	-	-	-		
Shenzhen Konka Optoelectronics Technology Co., Ltd	100.00	100.00	Yes	-	-	-		
Konka (Kunshan) Real Estate Investment Co., Ltd	100.00	100.00	Yes	-	-	-		
Xutongda	46.31	100.00	Yes	-	-	-		
Total				<u>236,504,926.2</u>				<u>-11,059,264.64</u>
				<u>0</u>				

Note: The Company holds 46.31% of shares of Dongguan Konka Mould Plastic Co., Ltd. Konka Household Appliances Investment & Development Co., Ltd, a subsidiary company of the Company, is entrusted to manage 6.18% shares held by Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. After the entrustment, the percentage of voting rights of the Company

increases to 52.49%. Therefore, the financial statements of Dongguan Konkai Mould Plastic Co., Ltd are combined into the consolidated financial statements. Xutongda is a wholly funded subsidiary of Dongguan Konkai Mould Plastic Co., Ltd and is also combined into the consolidated financial statements.

Senior managers of Chongqing Qingjia Electronic Co., Ltd are appointed and dismissed by the Company. 70 to 80% of its products are sold to the Company and thus the Company has absolute influence and control over the production and operation of Chongqing Qingjia Electronic Co., Ltd.

2. Subsidiary companies that are combined into the consolidated financial statements in the current period

Name	Establishing Method	End. Net Assets	Net Profit of the Current Period
Shenzhen Wankai da	Newly founded	9,991,044.00	-8,956.00
Konka Optoelectronics	Newly founded	9,991,044.00	-8,956.00

. Notes to Items in the Consolidated Financial Statements

Unless otherwise specified, in the following notes to the items in the consolidated financial statements (including notes to main items in the financial statements of the parent company), the end of the period refers to the day of 30 Jun. 2010; the beginning of the period refers to the day of 1 Jan. 2010; the current period refers to the first half of 2010; and the previous period refers to the first half of 2009.

1. Monetary funds

Items	End. balance			Beg. balance		
	Translat			Translat		
	Amount in foreign currency	exchange rate	Amount in renminbi (yuan)	Amount in foreign currency	exchange rate	Amount in renminbi (yuan)
Cash:	-	-	7,625.43	-	-	78,085.59
RMB	6,491.32	1.00	6,491.32	8,820.37	1.00	8,820.37
HKD	92.78	0.88	81.47	292.76	0.88	257.77
USD	143.21	6.77	969.93	27.65	6.83	188.8
EUR	10.00	8.27	82.71	7,024.39	9.80	68,818.65
Bank	-	-	958,142,686.44	-	-	749,873,330.

Items	End. balance			Beg. balance		
	Amount in foreign currency	Translat ed exchange rate	Amount in renminbi (yuan)	Amount in foreign currency	Translat ed exchange rate	Amount in renminbi (yuan)
deposits:						70
RMB	621,232,943.46	1.00	621,232,943.46	499,987,018.08	1.00	499,987,018.08
HKD	8,407,596.67	0.88	7,382,314.19	31,503,342.66	0.88	27,738,686.76
USD	48,461,629.54	6.77	328,220,644.83	32,465,512.99	6.83	221,685,758.32
JPY	2,170,716.00	0.08	166,463.53	1,836,287.61	0.07	135,481.30
EUR	83,089.61	8.27	687,260.59	12.61	9.80	123.54
GBP	1.32	10.21	13.48	-	-	-
CAD	70,063.27	6.47	453,046.36	-	-	-
Other				50,001.18	6.53	326,262.70
Other monetary funds:			1,886,942,850.00			2,874,528,963.96
RMB	1,886,942,850.00	1.00	1,886,942,850.00	2,874,508,857.93	1.00	2,874,508,857.93
HKD	-	-	-	22,834.79	0.88	20,106.03
Total			2,845,093,161.87			3,624,480,380.25

Remark: The balance of other monetary funds at the end of the period includes marginal deposits that cannot be withdrawn freely, totaling renminbi 1,886,942,850.00 yuan, which is used as USD loan pledge for NDF service.

2. Transactional financial assets

Item	End. fair value	Beg. fair value
Derivative financial instruments (NDF)	-	3,673,164.00

Remark: The balance of derivative financial instruments at the end of the period is the fair value of NDF service at the end of the period, which is carried out by the Company and Shenzhen Telecommunication Technology Co., Ltd to dodge exchange risks through long-term irrevocable contracts.

3. Notes receivable

(1) Category of notes receivable

Category	End. balance	Beg. balance
Banker's acceptance bill	2,777,730,209.07	2,781,539,700.27
Commercial acceptance bill	19,700,000.00	26,000,000.00
Total	2,797,430,209.07	2,807,539,700.27

(2) The balance of notes used as pledge in the accounts receivable at the end of the period amounts to renminbi 1,525,195,250.29 yuan.

(3) Top five notes that are endorsed but not due at the end of the period

Issuing entity	Issuing date	Maturity date	Amount
Shenzhen GOME Electrical Appliances Co., Ltd.	2010.02.03	2010.08.03	6,194,305.37
Beijing Suning Appliance Co., Ltd.	2010.02.26	2010.08.26	5,000,000.00
Jiangsu FiveStar Electrical Appliances Co., Ltd.	2010.03.04	2010.09.04	4,300,000.00
Beijing Dazhong Home Appliances Retail Co., Ltd.	2010.03.18	2010.09.18	2,000,000.00
Hainan Xinxing Electrical Appliances Co., Ltd.	2010.01.29	2010.07.29	2,000,000.00
Total			19,494,305.37

(4) Commercial acceptance bills that cannot be discounted and pledged at the end of the period by the Company.

(5) For accounts of related parties, see No. 6 in Note 8.

4. Accounts receivable

(1) Accounts receivable are listed below as per category

Category	End. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant individual amount	163,120,658.75	11.97	6,363,132.17	2.92
The portfolio with insignificant single amount has a greater risk after combined on the credit risk basis	193,510,710.55	14.20	179,883,021.36	82.53
Other insignificant accounts receivable	1,006,266,158.61	73.83	31,714,138.80	14.55
Total	1,362,897,527.91	100.00	217,960,292.33	100.00

(Continued)

Category	Beg. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant individual amount	494,067,023.84	32.6	12,982,059.48	6.08
The portfolio with insignificant individual amount has a greater risk after combined on the credit risk basis	188,023,658.33	12.4	176,017,194.71	82.40
Other insignificant accounts receivable	833,601,803.02	55.00	24,626,633.87	11.52
Total	1,515,692,485.19	100.00	213,625,888.06	100.00

Remark: Recognition basis of accounts receivable with significant individual amount: the account receivable with the balance at the end of the period greater than renminbi 20,000,000 yuan.

(2) Bad debt reserves

The accounts receivable with significant individual amount or with insignificant amount but independently impairment tested

Contents of account receivable	Book amount	Bad debt reserve	Withdrawing ratio (%)	Reasons
Goods payment	163,120,658.75	6,363,132.18	3.90	No impairment occurred upon an independent test. It was withdrawn according to its account age.

The portfolio with insignificant single amount has a greater risk after combined on the credit risk basis

Age	End. balance		Beg. balance			
	Book balance		Bad debt reserves		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Three to four years	5,309,340.56	0.39	4,010,760.90	23,441,767.92	1.55	12,612,946.71
Four to five	23,239,314.54	1.71	10,910,205.01	13,107,093.10	0.86	11,929,450.69

years						
Five						
years or	164,962,055.45	12.10	164,962,055.45	151,474,797.31	9.99	151,474,797.31
longer						
Total	193,510,710.55	14.20	179,883,021.36	188,023,658.33	12.40	176,017,194.71

Remark: The recognition basis of the account receivables with insignificant individual amount but with a greater risk after portfolio on the credit risk basis: the balance of the account receivable is less than renminbi 20,000,000 yuan with the age of three or longer years.

Accounts receivable that have been tested without impairment in independent tests can be classified into combinations with accounts receivable with insignificant individual amounts as per similar credit risk characters. The bad debt reserves are allotted on the basis of the combinations of credit risks.

(3) In the reporting period, no shareholder entity that holds 5% or more shares of the Company owes debts to the Company.

(4) The amount of the top five accounts receivable totals renminbi 216,733,163.02 yuan, taking up 15.90% of the total account receivable.

(5) For other accounts receivable from related parties among the accounts receivables, see No. 6 in Note 8.

5. Advance Payment

(1) The advance payment is listed on the basis of account age

Age	End. balance			Beg. balance		
	Amount	Proportion (%)	Bad debt reserves	Amount	Proportion (%)	Bad debt reserves
Within one year	181,749,999.22	93.97	1,061,507.33	255,109,000.62	91.14	1,061,507.33
One to two years	7,548,853.82	3.90	427,723.40	20,970,483.54	7.49	427,723.40
Two to three years	879,304.99	0.46	7,377.45	482,960.55	0.17	7,377.45
Three years or longer	3,227,373.81	1.67	2,376,043.72	3,356,862.30	1.2	2,571,885.56
Total	193,405,531.84	100.00	3,872,651.90	279,919,307.01	100.00	4,068,493.74

(2) Five entities with the highest amount of advance payments

Name	Relationship with the	Amount	Age	Reasons for unsettlement
------	-----------------------	--------	-----	--------------------------

		Company			
Yantai Wanhua Polyurethanes Co., Ltd		Non-related party	9,771,278.41	Within one year	Materials have not arrived.
ONTIM TECHNOLOGIES LTD	ONTIM	Non-related party	7,297,342.64	Within one year	Materials have not arrived.
Huai'an Zhenzhun Building Engineering Co., Ltd.		Non-related party	5,936,000.00	Within one year	Advance payment for construction
Bailong Technology Co., Ltd		Non-related party	5,111,957.05	Within one year	Materials have not arrived.
Shanghai Novel Color Picture Tube Co., Ltd.		Non-related party	4,168,825.44	One to two years	Materials have not arrived.
Total			<u>32,285,403.54</u>		

(3) In the advance payment in the reporting period, no shareholder entity that holds 5% or more shares of the Company owes debts to the Company.

6. Interest receivable

Item	End. balance	Beg. balance
Income from NDF renminbi pledge deposits	13,187,535.33	32,529,920.96

7. Other receivables

(1) Other receivables are listed below as per category

Category	End. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant individual amount	69,000,000.00	38.44	-	-
Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis	14,149,350.84	7.88	12,358,814.79	91.00
Other insignificant receivables	96,363,533.99	53.68	1,222,374.49	9.00
Total	<u>179,512,884.83</u>	<u>100.00</u>	<u>13,581,189.28</u>	<u>100.00</u>

(Continued)

Category	Beg. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant individual amount	-	-	-	-
Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis	13,462,777.33	40.68	11,948,643.53	88.37
Other insignificant receivables	19,631,075.06	59.32	1,572,763.20	11.63
Total	33,093,852.39	100.00	13,521,406.73	100.00

Remark: Recognition basis of accounts receivable with significant individual amount: the account receivable with the balance at the end of the period is greater than renminbi 10,000,000 yuan.

(2) Bad debt reserves at the end of the period

The other receivable with significant individual amount at the end of the period is the land bidding deposit prepaid to Kunshan Land and Resources Bureau, which involves no recovery risk.

Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis

Age	End. balance			Beg. balance		
	Book balance		Bad debt reserves	Book balance		Bad debt reserves
	Amount	Proportion (%)		Amount	Proportion (%)	
Three to four years	2,643,962.53	1.47	1,464,882.86	2,682,026.35	8.1	1,471,789.20
Four to five years	983,353.03	0.55	371,896.65	585,793.30	1.77	281,896.65
Five years or longer	10,522,035.28	5.86	10,522,035.28	10,194,957.68	30.81	10,194,957.68
Total	14,149,350.84	7.88	12,358,814.79	13,462,777.33	40.68	11,948,643.53

Remark: The recognition basis of the account receivables with insignificant individual amount but with a greater risk after portfolio on the credit risk basis: the balance of the account receivable is less than renminbi 10,000,000 yuan with the age of three or longer years.

(3) In other receivables in the reporting period, no shareholder entity that holds 5% or more shares of the Company owes debts to the Company.

(4) Nature and content of other receivables with larger amount

Name	Amount	Nature or content
Kunshan Land and Resources Bureau	69,000,000.00	Deposit
Shenzhen Social Insurance Administration	6,699,786.17	Social insurance fees
Asset custody special account at ICBC Beijing branch	2,100,000.00	Deposits
	1,267,992.21	Water and electricity expenses, unsettled
Shenzhen OCT Water and Electricity Supply Co., Ltd		for now
Shenzhen OCT Real Estate Co., Ltd	1,247,137.86	Deposit
Total	80,314,916.24	

(5) For other receivables from related parties in the report period, see No. 6 in Note 8.

8. Inventories

(1) Categories of inventories

Item	End. balance		
	Book balance	Falling price reserves	Book value
Raw materials	1,622,051,741.62	109,270,650.03	1,512,781,091.59
Semi-finished products	383,727,029.98	66,241,096.06	317,485,933.92
Stock	2,705,139,379.36	289,604,228.11	2,415,535,151.25
Goods in transit	5,494,367.63	-	5,494,367.63
Turnover materials	7,868,740.19	655,522.39	7,213,217.80
Total	4,724,281,258.78	465,771,496.59	4,258,509,762.19

(Continued)

Item	Beg. balance		
	Book balance	Falling price reserves	Book value
Raw materials	1,403,142,683.27	110,618,813.52	1,292,523,869.75
Semi-finished products	286,601,129.93	66,241,096.06	220,360,033.87
Stock	2,382,906,650.66	332,400,884.84	2,050,505,765.82
Goods in transit	8,486,406.30	-	8,486,406.30
Turnover materials	9,565,635.07	661,253.80	8,904,381.27
Total	4,090,702,505.23	509,922,048.22	3,580,780,457.01

(2) Inventory falling price reserves

Item	Beg. balance	Allotment of the period	Decrease of the period		End. balance
			Recovered amount	Write-off amount	
Raw materials	110,618,813.52	396,607.27	500,955.98	1,243,814.78	109,270,650.03
Semi-finished products	66,241,096.06	-	-	-	66,241,096.06
Stock	332,400,884.84	750,251.04	235,493.14	43,311,414.63	289,604,228.11
Turnover materials	661,253.80	-	-	5,731.41	655,522.39
Total	509,922,048.22	1,146,858.31	736,449.12	44,560,960.82	465,771,496.59

9. Financial assets available for sale

Item	End. fair value	Beg. fair value
Stock investment	9,795,361.80	10,268,121.10

10. Investment on affiliated enterprises

The investments on affiliated enterprises of the Company are as follows:

Invested entity	Nature of enterprise	Registration place	Legal representative	Business nature	Registered capital (Renminbi: yuan)	Proportion of shares held by the Company (%)	Percentage of voting rights of the Company in the invested enterprise (%)
Chongqing Jingkang Plastic Products Co., Ltd	Company of limited liability	Chongqing	Wang Xiaoyong	Manufacturing and processing mold products	12,000,000.00	31.25	31.25
Shenzhen Refond Optoelectronics Co., Ltd	Company of limited liability	Shenzhen	Gong Weibin	Manufacturing and selling LEDs	35,566,667.00	25.87	25.87
Shenzhen Konk Technology Co., Ltd	Company of limited liability	Shenzhen	Dong Yaping	New energy products for mobile equipment	20,000,000.00	30.00	30.00

(Continued)

Invested entity	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating income of the period	Net Profit of the Current Period
Chongqing Jingkang Plastic Products Co., Ltd	5,605,604.07	1,840,764.87	3,764,839.20	36,764.39	-1,161,360.84
Shenzhen Refond Optoelectronics Co., Ltd	278,202,285.95	111,975,426.02	166,226,859.93	120,799,160.11	14,174,936.90
Shenzhen Konk Energy Technology Co., Ltd	13,792,442.90	1,643,585.59	12,148,857.31	-	-

11. Long-term equity investment

(1) Category of long-term equity investment

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
Investment on subsidiary companies	-			-
Investment on jointly funded enterprises	-			-
Investment on affiliated enterprises	49,162,445.23	3,667,056.18	362,925.26	52,466,576.15
Other equity investments	10,038,000.00			10,038,000.00
Less: provisions for depreciation of long-term equity investments	1,400,000.00			1,400,000.00
Total	57,800,445.23	3,667,056.18	362,925.26	61,104,576.15

(2) List of long-term equity investment

Invested entity	Accounting method	Initial investment costs	Beg. balance	Increase/decrease amounts	End. balance
Chongqing Jingkang Plastic Products Co., Ltd	Equity method	3,750,000.00	1,451,506.32	-362,925.26	1,088,581.06
Shenzhen Refond Optoelectronics Co., Ltd	Equity method	36,923,786.00	36,923,786.00	3,667,056.18	40,590,842.18
Shenzhen Konk Energy	Equity	5,983,965.19	3,649,728.08		3,649,728.08

Invested entity	Accounting method	Initial investment costs	Beg. balance	Increase/decrease amounts	End. balance
Technology Co., Ltd	method				
Shenzhen Dekon Electronic Co., Ltd	Cost method	3,000,000.00	7,137,424.83		7,137,424.83
Feihong Electronics Co., Ltd	Cost method	1,300,000.00	1,300,000.00		1,300,000.00
Shenzhen Association of Enterprises with Foreign Investment	Cost method	100,000.00	100,000.00		100,000.00
Shenzhen Make-plan Investment Development Co., Ltd	Cost method	485,000.00	485,000.00		485,000.00
IGRS Information Technology Engineering Center Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Shenzhen Julong Optoelectronics Co., Ltd	Cost method	2,000,000.00	2,000,000.00		2,000,000.00
Shenzhen CTU Hi-tech Ltd	Cost method	1,153,000.00	1,153,000.00		1,153,000.00
Total			59,200,445.23	3,304,130.92	62,504,576.15

(Continued)

Invested entity	Proportion of shares held in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested entity	Impairment provision	Impairment provision allotted of the current period	Cash dividends of the current period
Chongqing Jingkang Plastic Products Co., Ltd	31.25	31.25	-	-	-	-
Shenzhen Refond Optoelectronics Co., Ltd	25.87	25.87	-	-	-	-
Shenzhen Konka Energy Technology Co., Ltd	30.00	30.00	-	-	-	-
Shenzhen Dekon Electronic Co., Ltd	30.00	-	-	-	-	-
Feihong Electronics Co., Ltd	8.33	8.33	-	1,300,000.00	-	-
Shenzhen Association of	-	-	-	100,000.00	-	-

Invested entity	Proportion of shares held in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested entity		Impairment provision	Impairment provision allotted of the current period	Cash dividends of the current period
Enterprises with Foreign Investment							
Shenzhen Julong Optoelectronics Co., Ltd	10.00	10.00	-	-	-	-	-
Shenzhen Make-plan Investment Development Co., Ltd	1.00	1.00	-	-	-	-	-
IGRS Information Technology Engineering Center Co., Ltd	9.62	9.62	-	-	-	-	-
Shenzhen CTU Hi-tech Ltd	11.50	11.50	-	-	-	-	-
Total				1,400,000.00		-	-

(3) Long-term equity investments without restrictions on selling

12. Fixed assets

(1) Details of fixed assets

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
I. Total original book value	2,793,446,285.42	64,276,276.90	91,817,048.93	2,765,905,513.39
Including: housings and buildings	1,185,382,298.95	8,330,650.05	17,495,849.80	1,176,217,099.20
Mechanical equipment	1,055,625,592.88	30,470,443.93	65,717,424.02	1,020,378,612.79
Electronic equipment	329,239,348.67	5,554,607.33	3,990,091.37	330,803,864.63
Vehicles	49,867,120.37	9,866,100.70	1,722,603.45	58,010,617.62
Other equipment	173,331,924.55	10,054,474.89	2,891,080.29	180,495,319.15
II. Total accumulated depreciation	1,332,326,121.97	62,343,590.70	66,235,040.51	1,328,434,672.16
Including: housings and buildings	249,000,434.97	15,152,869.51	540,335.16	263,612,969.32
Mechanical equipment	659,273,609.48	25,815,112.47	57,145,998.13	627,942,723.82
Electronic equipment	246,207,253.24	9,907,877.49	2,740,838.08	253,374,292.65
Vehicles	39,873,961.29	2,694,371.87	1,616,146.73	40,952,186.43

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
Other equipment	137,970,862.99	8,773,359.36	4,191,722.41	142,552,499.94
III. Total net book value	1,461,120,163.45			1,437,470,841.23
Including: housings and buildings	936,381,863.98			912,604,129.88
Mechanical equipment	396,351,983.40			392,435,888.97
Electronic equipment	83,032,095.43			77,429,571.98
Vehicles	9,993,159.08			17,058,431.19
Other equipment	35,361,061.56			37,942,819.21
IV. Total provisions for depreciation	27,445,537.16	227,378.50	3,247,953.48	24,424,962.18
Including: housings and buildings	1,247,805.91	-	-	1,247,805.91
Mechanical equipment	21,222,582.75	226,978.50	3,231,601.32	18,217,959.93
Electronic equipment	2,453,203.93	-	15,267.16	2,437,936.77
Vehicles	998,585.64	400.00	-	998,985.64
Other equipment	1,523,358.93	-	1,085.00	1,522,273.93
V. Total book value	1,433,674,626.29			1,413,045,879.05
Including: housings and buildings	935,134,058.07			911,356,323.97
Mechanical equipment	375,129,400.65			374,217,929.04
Electronic equipment	80,578,891.50			74,991,635.21
Vehicles	8,994,573.44			16,059,445.55
Other equipment	33,837,702.63			36,420,545.28

Remark: The amount of depreciation of the current period is renminbi 74,386,084.96 yuan. The original book value of fixed assets that are transferred from construction in progress in the current period is renminbi 7,277,608.49 yuan.

(2) Details of fixed assets whose certificates of title are not prepared

Item	Reason for the absence of certificate of title	Estimated time for winding up the certificate of title	Book value
Dorms of Dongguan Konka	In progress	Year 2010	38,221,832.27
Main factory building, etc.	The license for using state-owned land has not been	The winding up time cannot be	16,507,069.46

of Mudanjiang Konka	obtained and the certificate of title to house property cannot be handled temporarily.	estimated	
Factory buildings, etc. of Kunshan Konka	The project is just finished and the settlement is in progress.	Year 2010	112,622,676.2 5
Color TV office building, etc. of Changshu Konka	The license for using state-owned land has not been obtained and the certificate of title to house property cannot be handled temporarily.	The winding up time cannot be estimated	1,911,675.74
Yikang Building of Konka Group	The building is purchased from an external party and the certificate of title to house property is in progress.	The winding up time cannot be estimated	67,900,449.22
Total			237,163,702. 94

(3) For pledges with fixed assets, see No. 20 in Note 7.

13. Construction in progress

(1) Information about construction in progress

Item	End. balance			Beg. balance		
	Book balance	Impai rment provi sion	Book val ue	Book balance	Impai rment provi sion	Book val ue
R&D building of Konka Group	78,213,496.5 6	-	78,213,496.5 6	33,159,935.6 4	-	33,159,935.6 4
Warehouse of Anhui Konka Household Appliance Co., Ltd	803,200.00	-	803,200.00	3,493,776.32	-	3,493,776.32
Factory buildings and other infrastructures of Baidian Industrial Park Phase II	22,303,272.8 1	-	22,303,272.8 1	18,282,170.8 0	-	18,282,170.8 0
Kunshan module production base project	12,220,601.2 1	-	12,220,601.2 1			
Purchase of office buildings	19,231,798.0 9	-	19,231,798.0 9			
Other small projects	5,776,259.62	-	5,776,259.62	6,152,063.42	-	6,152,063.42
Total	138,548,628. 29	-	138,548,628. 29	61,087,946.1 8	-	61,087,946.1 8

(2) Change of significant construction in progress

Name	Budget	Beg. balance	Increase of the current period	Amount of construction-in-progress transferred to fixed assets in the current period	Other decrease	End. balance
R&D building of Konka Group	566,565,800.00	33,159,935.64	5,628,993.92		- 175,433.00	78,213,496.56
Warehouse of Anhui Konka Household Appliance Co., Ltd	22,743,100.00	3,493,776.32	2,863,335.00	5,553,911.32	-	803,200.00
Factory buildings and other infrastructures of Baidian Industrial Park Phase II		- 18,282,170.80	4,021,102.01		-	22,303,272.81
Kunshan module production base project		-	- 3,191,028.58	970,427.37		12,220,601.21
Purchase of office buildings		-	- 9,231,798.09		-	19,231,798.09
Other small projects		- 6,152,063.42	797,935.47	1,071,514.24	102,225.03	5,776,259.62
Total	589,308,900.00	61,087,946.18	5,734,193.07	7,595,852.93	177,658.03	138,548,628.29

Remark: Construction in progress of the Company uses self-owned capital and no loan is capitalized.

(3) By 30 Jun. 2010, the book value of construction in progress of the Company is not higher than the amount that can be recovered.

14. Disposal of fixed assets

Item	Beg. Book value	End. Book value	Reason for disposal
Transferring and dismantling to be handled	20,851,110.89	-	Transferring of factory of Anhui Konka Household Appliance Co., Ltd, see remark.

Remark: Fixed assets of Anhui Konka Household Appliance Co., Ltd, a

subsidiary company of the Company, are disposed in the form of net book value of fixed assets and net book value of intangible assets and labor service expenses, installation and commissioning expenses and shutdown loss caused by equipment transferring. All has been carried forward in the report period. For details, see No. 3 in Note 12.

15. Intangible assets

Item	Beg. Book balance	Increase of the period	Decrease of the period	End. Book balance
I. Total original book value	218,231,265.36	3,059,070.60	-	221,290,335.96
Land use right	175,242,497.61	1,536,828.20	-	176,779,325.81
Trademark registration costs in foreign countries	3,037,299.61	78,987.00	-	3,116,286.61
Patents and proprietary technologies	31,956,276.32	910,253.31	-	32,866,529.63
Others	7,995,191.82	533,002.09	-	8,528,193.91
II. Total accumulated amortization	47,827,657.19	3,933,806.04	-	51,761,463.23
Land use right	14,281,746.80	1,890,164.83	-	16,171,911.63
Trademark registration costs in foreign countries	2,568,996.92	198,088.39	-	2,767,085.31
Patents and proprietary technologies	25,654,210.91	1,122,578.65	-	26,776,789.56
Others	5,322,702.56	722,974.17	-	6,045,676.73
III. Total net book value	170,403,608.17			169,528,872.73
Land use right	160,960,750.81			160,607,414.18
Trademark registration costs in foreign countries	468,302.69			349,201.30
Patents and proprietary technologies	6,302,065.41			6,089,740.07
Others	2,672,489.26			2,482,517.18
IV. Total provisions for depreciation	2,901,082.61	-	-	2,901,082.61
Land use right	-	-	-	-

Item	Beg. Book balance	Increase of the period	Decrease of the period	End. Book balance
Trademark registration costs in foreign countries	-	-	-	-
Patents and proprietary technologies	2,901,082.61	-	-	2,901,082.61
Others	-	-	-	-
V. Total book value	167,502,525.56			166,627,790.12
Land use right	160,960,750.81			160,607,414.18
Trademark registration costs in foreign countries	468,302.69			349,201.30
Patents and proprietary technologies	3,400,982.80			3,188,657.46
Others	2,672,489.26			2,482,517.18

(1) The amortized amount of the current period is renminbi 3,933,806.04 yuan.

(2) For pledges with intangible assets, see No. 20 in Note 7.

16. Goodwill

Name of invested entity or items forming goodwill	Beg. balance	Increase of the period	Decrease of the period	End. balance	Impairment provision at the end of the period
Purchase of shares of subsidiary companies	3,943,671.53	-	-	3,943,671.53	-

Remark: By 30 Jun. 2010, the book value of the goodwill of the Company is not higher than the amount that can be recovered.

17. Long-term expenses to be apportioned

Item	Beg. balance	Increase of the period	Amortization of the current period	Other decrease	End. balance
Decoration	8,605,659.90	396,369.11	1,204,958.05	-	7,797,070.96
Shoppe	313,009.57	-	197,139.76	-	115,869.81

Item	Beg. balance	Increase of the period	Amortization of the current period	Other decrease	End. balance
Software License Development platform expenses	1,136,145.90	-	173,990.41	-	962,155.49
Mould expenses	3,871,202.55	3,878,402.55	977,151.72	3,878,402.55	2,894,050.83
Model machine	409,057.55	462,741.92	96,026.64	462,741.92	313,030.91
Others	119,652.73	-	119,652.73	-	-
	1,320,055.75	438,534.19	1,068,996.83	235,857.01	453,736.10
Total	15,774,783.95	5,176,047.77	3,837,916.14	4,577,001.48	12,535,914.10

18. Deferred income tax assets/Deferred income tax liabilities

Item	End. balance	Beg. balance
Deferred income tax asset:		
Asset impairment reserves	115,204,628.53	115,897,984.71
Warranty expenses	11,498,859.90	11,498,859.90
Deferred income	17,760,110.67	17,760,110.67
Change of the fair value of the financial assets that are recorded into the capital reserves and available for sale	333,604.97	229,597.93
Others	9,836,364.61	5,299,865.89
Subtotal	154,633,568.68	150,686,419.10
Deferred income tax liabilities		
Estimation by transactional financial instruments and derivative financial instruments	745,648.38	745,648.38
Appreciation of fixed asset estimation	563,067.21	563,067.21
Subtotal	1,308,715.59	1,308,715.59

19. List of provisions for impairment of assets

Item	Beg. balance	Allotment of the current period	Decrease of the period		End. balance
			Recovered amount	Write-off amount	
I. Bad debt reserves	231,215,788.53	9,070,452.07	2,542,064.62	2,330,042.47	235,414,133.51
Including: Accounts receivable	213,625,888.06	8,873,434.58	2,299,934.55	2,239,095.76	217,960,292.33
Other receivables	13,521,406.73	197,017.49	46,288.23	90,946.71	13,581,189.28
Advance payments	4,068,493.74	-	195,841.84	-	3,872,651.90
II. Inventory falling price reserves	509,922,048.22	1,146,858.31	736,449.12	44,560,960.82	465,771,496.59

Item	Beg. balance	Allotment of the current period	Decrease of the period		End. balance
			Recovered amount	Write-off amount	
Including: Raw materials	110,618,813.52	396,607.27	500,955.98	1,243,814.78	109,270,650.03
Stock	332,400,884.84	750,251.04	235,493.14	43,311,414.63	289,604,228.11
Semi-finished products and other	66,902,349.86	-	-	5,731.41	66,896,618.45
III. Provisions for depreciation of long-term equity investments	1,400,000.00	-	-	-	1,400,000.00
IV. Provision for impairment of fixed assets	27,445,537.16	226,978.50	-	3,247,553.48	24,424,962.18
Including: Housings and buildings	1,247,805.91	-	-	-	1,247,805.91
Machinery equipment	21,222,582.75	226,978.50	-	3,231,601.32	18,217,959.93
Electronic equipment	2,453,203.93	-	-	8,968.56	2,444,235.37
Vehicles	998,585.64	-	-	5,898.60	992,687.04
Other equipment	1,523,358.93	-	-	1,085.00	1,522,273.93
V. Provision for impairment of intangible assets	2,901,082.61	-	-	-	2,901,082.61
Including: Patent rights	2,901,082.61	-	-	-	2,901,082.61
Total	772,884,456.52	10,444,288.88	3,278,513.74	50,138,556.77	729,911,674.89

20. Assets with restricted proprietary rights or use rights

Item	End. Book value	Reason of restriction
Subtotal of assets for guarantee	226,929,377.10	
Including: Fixed assets	215,687,609.56	Credit pledge
Intangible assets	11,241,767.54	Credit pledge
Subtotal of assets with restricted proprietary rights of use rights caused by other reasons	3,412,138,100.29	
Including: Notes receivable	1,525,195,250.29	Pledge for credit-extension contracts

Item	End. Book value	Reason of restriction
Bank deposit	1,886,942,850.00	Pledge for NDF service, banker's acceptance bills and engineering margins of safety
Total	3,639,067,477.39	

21. Short-term loans

Item	End. balance	Beg. balance
Pledged borrowings (remark 1)	19,000,000.00	8,000,000.00
Collateral borrowings (remark 2)	2,014,494,812.35	2,762,014,060.00
Credit borrowings (remark 3)	1,946,555,475.80	-
Guarantee borrowings	-	-
Total	3,980,050,288.15	2,770,014,060.00

Remark 1: For pledges for pledge borrowings, see No. 4 and 5 in Note 12.

Remark 2: Collateral borrowings are USD loans obtained with the pledge of bank deposit to develop NDF service. For details about pledged renminbi deposits, see No. 1 of Note 7.

Remark 3: Credit borrowings come from the operating short-term financing business launched by the Company.

22. Transactional financial liabilities

Item	End. fair value	Beg. fair value
Derivative financial liabilities (NDF)	1,661,744.00	-

23. Notes payable

Category	End. balance	Beg. balance
Banker's acceptance bill	2,380,582,059.85	2,884,697,072.42
Commercial acceptance bill	-	-
Total	2,380,582,059.85	2,884,697,072.42

Remark: The amount due in the next accounting period is renminbi 2,380,582,059.85 yuan. For other notes payable to related parties, see No. 6 in Note 8.

24. Accounts payable

(1) List of accounts payable

Item	End. balance	Beg. balance
Within one year	1,923,114,262.06	2,563,334,270.00
One to two years	40,842,912.14	22,046,559.29
Two to three years	6,266,858.58	4,758,006.47
Three years or longer	10,273,029.95	9,103,449.28
Total	1,980,497,062.73	2,599,242,285.04

(2) In the accounts payable in the current reporting period, no account is payable to shareholder entity that holds 5% or more voting shares of the Company.

(3) Accounts payable with an age over one year are unsettled purchases.

(4) For information about other accounts payable to related parties among the accounts payable, see No. 6 of Note 8.

25. Advance receipts

(1) List of advance receipts

Item	End. balance	Beg. balance
Within one year	163,334,814.06	238,818,585.41
One to two years	8,504,620.32	11,140,698.63
Two to three years	1,024,292.68	2,412,606.19
Three years or longer	27,615,677.78	26,959,574.15
Total	200,479,404.84	279,331,464.38

(2) In the advance receipts in the current reporting period, no advance payment is received from shareholder entity that holds 5% or more voting shares of the Company.

(3) Advance receipts with an age over one year are unsettled sales.

(4) For information about advance receipts from other related parties in the current reporting period, see No. 6 of Note 8.

26. Accrued payroll

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
I. Payroll, bonus, allowance and subsidies	167,357,260.76	459,624,596.35	486,577,501.25	140,404,355.86
II. Welfare expenses	8,350,990.19	28,996,772.51	29,457,905.51	7,889,857.19

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
III. Social insurance expenses				
Medical insurance	8,721,834.54	60,712,576.21	53,306,090.08	16,128,320.67
Endowment insurance	4,569,322.50	14,729,874.17	14,061,874.35	5,237,322.32
Unemployment insurance	2,963,628.54	41,627,377.30	35,079,251.91	9,511,753.93
Insurance against injuries at work	328,392.57	2,125,175.65	1,846,129.82	607,438.40
Maternity insurance	807,392.44	1,190,323.60	1,444,785.88	552,930.16
IV. Public reserve for housing construction	53,098.49	1,039,825.49	874,048.12	218,875.86
V. Labor union expenditure and expenses for education of employees	1,355,013.19	2,602,728.35	2,760,432.68	1,197,308.86
VI. Welfare for dismissing				
Others	368,322.03	3,906,277.24	4,121,028.74	153,570.53
Total	193,217,075.52	568,728,453.81	588,246,529.05	173,699,000.28

Remark: No payroll payable is unpaid.

27. Tax payable

Item	End. balance	Beg. balance
Value-added tax	-304,507,086.18	-148,759,705.82
Business tax	604,098.89	756,110.65
Income tax	-19,289,103.15	11,973,283.20
Urban maintenance and construction tax	-192,803.75	467,744.82
Educational Surtax	65,943.30	153,294.23

Item	End. balance	Beg. balance
Personal income tax	1,003,333.24	859,826.28
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	-	185,392.48
Others	1,139,121.65	1,466,343.02
Total	-321,176,496.00	-132,897,711.14

Remark: The income taxes of sale branches of the Company are prepaid based on their locations and a unified settlement is conducted by the Company at the end of the year. See No.1 in Note 5 for more details.

28. Interest payable

Item	End. balance	Beg. balance
Expense for interest on NDF USD loans	9,628,358.03	23,633,016.78

29. Dividends payable

Name	End. balance	Beg. balance	Reasons for dividends unpaid for more than one year
OCT Group Corporation	2,287,547.83	-	
Dividend funds, etc.	9,752,179.21	-	
External shareholders such as Qingjia and Foshan Anden Industry	3,204,276.28	-	
Shenzhen Shangyongtong Investment Development Co., Ltd	804,527.20	804,527.20	Temporarily unpaid
Total	16,048,530.52	804,527.20	

30. Other payables

(1) List of other payables

Item	End. balance	Beg. balance
Within one year	607,649,174.17	652,813,276.95
One to two years	43,128,544.49	68,292,388.68
Two to three years	14,459,592.36	11,084,906.13
Three years or longer	33,257,595.17	31,733,028.90
Total	698,494,906.19	763,923,600.66

(2) In other payables in the current reporting period, no account is payable to shareholder entity that holds 5% or more voting shares

Item	Beg. balance		Increase/decrease of the current period (+/-)					End. balance	
	Amount	Proportion (%)	Newly issued shares	Gifts	Share conversions	Others	Subtotal	Amount	Proportion (%)
I. Shares with restrictions on selling									
1. Founder ' s shares	198,388,174.00	16.48	-	-	-	-	-	198,388,174.00	16.48
Including:	198,381,940.00	-	-	-	-	-	-	198,381,940.00	-
State-owned shares	0	-	-	-	-	-	-	0	-
2. Shares held by employees	4,950.00	-	-	-	-	-	-	4,950.00	-
Subtotal of shares with restrictions on selling	198,386,890.00	16.48	-	-	-	-	-	198,386,890.00	16.48
II. Shares without restrictions on selling									
1. Common stock (renminbi denominated)	599,910,010.00	49.83	-	-	-	-	-	599,910,010.00	49.83
2. Domestically-listed shares held by foreign investors	405,675,804.00	33.69	-	-	-	-	-	405,675,804.00	33.69
Subtotal of shares without restrictions on selling	1,005,585,814.00	83.52	-	-	-	-	-	1,005,585,814.00	83.52
III. Total shares	1,203,972,704.00	100.00	-	-	-	-	-	1,203,972,704.00	100.00

33. Capital surplus

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
Capital premium	1,211,366,082.55	-	-	1,211,366,082.55
Other capital surpluses	46,083,645.03	-	368,752.26	45,714,892.77
Total	1,257,449,727.58	-	368,752.26	1,257,080,975.32

Remark: The decrease of other capital surpluses in the current period is mainly caused by change of the fair value of transactional financial assets.

34. Surplus reserves

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
Statutory surplus public reserves	555,245,730.23	-	-	555,245,730.23
Discretionary surplus public reserves	254,062,265.57	-	-	254,062,265.57
Total	809,307,995.80	-	-	809,307,995.80

35. Undistributed profits

Item	Amount	Remark
Undistributed profits at the end of the previous period before adjustment	613,778,898.84	
Total of undistributed profits at the beginning of the adjustment period (+/-)	-	
Undistributed profits at the beginning of the period after adjustment	613,778,898.84	
Add: Net income attributed to the parent company	50,887,520.39	
Making up losses with surplus public reserves	-	
Other transfer-ins	-	
Less: Allotted statutory surplus public reserve	-	

Item	Amount	Remark
Allotted discretionary surplus public reserves	-	
Payable dividends for common stocks	12,039,727.04	
Dividends of common stock that are converted into capital shares	-	
Undistributed profits at the end of the period	652,626,692.19	

36. Revenues and operating costs

(1) Revenues and operating costs

Item	Amount of the current period	Amount of the previous period
Revenues from main operations	7,889,140,439.34	5,107,148,120.78
Revenues from other operations	51,043,355.75	64,851,907.42
Total revenues	7,940,183,795.09	5,172,000,028.20
Costs of main operations	6,670,792,642.95	4,155,707,059.99
Costs of other operations	29,460,673.45	36,013,655.03
Total operating costs	6,700,253,316.40	4,191,720,715.02

(2) Main operations (by industries)

Industry	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Electronic industry	7,889,140,439.34	6,670,792,642.95	5,107,148,120.78	4,155,707,059.99

(3) Main operations (by products)

Product category	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Color television business	6,044,594,174.81	5,104,973,696.12	3,730,733,159.98	3,049,658,994.29
Mobile phone business	972,561,524.29	854,009,795.45	706,483,464.16	628,420,965.23
White goods business	646,013,862.15	509,390,405.51	508,011,409.51	401,558,332.48
Others	225,970,878.09	202,418,745.87	161,920,087.13	76,068,767.99
Total	7,889,140,439.34	6,670,792,642.95	5,107,148,120.78	4,155,707,059.99

(4) Main operations (by regions)

Region	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Domestic sales	5,793,254,880.74	4,623,405,503.47	4,370,519,089.99	3,487,659,581.30
Overseas sales	2,095,885,558.59	2,047,387,139.48	736,629,030.79	668,047,478.69
Total	7,889,140,439.33	6,670,792,642.95	5,107,148,120.78	4,155,707,059.99

(5) Revenues from the top five customers

The revenues from the top five customers amount to renminbi 2,005,136,373.82 yuan, taking up 25.42% of the total revenues.

37. Taxes and surtax

Item	Amount of the current period	Amount of the previous period	Allotment criteria
Business tax	723,818.88	568,778.47	5%
Urban maintenance and construction tax	258,052.35	428,980.04	1%、5%、7%
Educational Surtax	268,742.95	371,208.04	3%、4%
Others	230,874.21	132,444.16	
Total	1,481,488.39	1,501,410.71	

38. Loss of asset impairment

Item	Amount of the current period	Amount of the previous period
Loss of bad debts	6,528,387.45	-5,120,579.65
Loss of inventory falling price	410,409.19	1,369,396.55
Loss of impairment of fixed assets	226,978.50	-
Total	7,165,775.14	-3,751,183.10

39. Income from change of fair value

Source of income from change of fair value	Amount of the current period	Amount of the previous period
Derivative financial instruments (NDF)	-5,334,908.00	2,178,002.85

40. Investment income

(1) List of investment income items

Invested entity	Amount of the current period	Amount of the previous period
Income from long-term equity investment measured	-	-

Invested entity	Amount of the current period	Amount of the previous period
by employing the cost method		
Income from long-term equity investment measured by employing the equity method	3,304,130.92	-575,255.31
Investment income from disposing long-term equity investments	-	-
Investment income from disposing transactional financial assets (NDF)	-	-
Investment income from financial assets available for sale	10,529.35	-
Total	3,314,660.27	-575,255.31

(2) Income from long-term equity investment measured by employing the equity method

Invested entity	Amount of the current period	Amount of the previous period
Chongqing Jingkang Plastic Products Co., Ltd	-362,925.26	-575,255.31
Shenzhen Refond Optoelectronics Co., Ltd	3,667,056.16	-
Total	3,304,130.92	-575,255.31

Remark: No significant restriction is imposed on repatriation of the investment income of the Company.

41. Non-operating revenues

(1) List of non-operation revenues

Item	Amount of the current period	Amount of the previous period
Total revenue from disposing non-current assets	16,504,673.61	905,122.06
Including: Revenue from disposal of fixed assets	16,504,673.61	905,122.06
Revenue from disposal of intangible assets	-	-
Government grants	30,041,542.90	999,155.00
Revenue from penalty	2,304,406.68	2,714,760.72
Revenue from compensation	-	-
Revenues from accounts payable that cannot be paid	3,144.25	237,213.13
Others	3,510,742.01	1,421,804.60
Total	52,364,509.45	6,278,055.51

(2) List of government grants

Item	Amount of the current	Amount of the
------	-----------------------	---------------

	period	previous period
Tax refunds	22,810,484.54	-
Tax refund from Chuzhou Bureau of Finance	232,900.00	-
Government awards	1,426,642.00	-
Financial and social insurance subsidies	3,103,035.46	7,000.00
Award for being one of the top ten biggest tax payers	790,000.00	970,000.00
R&D subsidy	1,500,000.00	-
Others	178,480.90	22,155.00
Total	30,041,542.90	999,155.00

42. Non-operating expenses

Item	Amount of the current period	Amount of the previous period
Total loss of disposing non-current assets	2,091,536.04	1,087,703.66
Including: Loss of disposal of fixed assets	2,091,536.04	1,087,703.66
Expenses of donations	1,534,878.00	439,773.43
Expenses for penalty	554,882.88	287,620.09
Others	335,565.14	39,270.09
Total	4,516,862.06	1,854,367.27

43. Income tax expenses

Item	Amount of the current period	Amount of the previous period
Income tax of the current period calculated as per the tax law and relevant regulations	19,067,278.11	13,144,938.51
Adjustment of deferred income tax	716,894.38	-528,845.98
Total	19,784,172.49	12,616,092.53

44. Basic earnings per share and diluted earnings per share

Profits in the reporting period	Amount of the current period		Amount of the previous period	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profits attributed to shareholders of common shares of the Company	0.0423	0.0423	0.0667	0.0667
Net profits of non-recurring gains and losses attributed to	0.0296	0.0296	0.0623	0.0623

shareholders of common shares

Remark: The earnings per share are calculated as follows:

(1) Basic earnings per share corresponding to the net profits attributed to shareholders of common shares of the Company = Net profits attributed to shareholders of common shares of the Company / weighted mean of issued common share = $50,887,520.39 \div 1,203,972,704 = 0.0423$

(2) Basic earnings per share corresponding to the net profits of non-recurring gains and losses attributed to shareholders of common shares of the Company = Net profits of non-recurring gains and losses attributed to shareholders of common shares of the Company / weighted mean of issued common share = $(50,887,520.39 - 15,262,421.90) \div 1,203,972,704 = 0.0296$

(3) The diluted earnings per share is calculated by dividing the consolidated net profits attributed to shareholders of common shares of the company adjusted according to the dilutive potential common share by the weighted mean of the adjusted issued common shares of the Company. In the first half of 2010, no dilutive potential common share exists in the company; thus the diluted earnings per share are equal to the basic earnings per share.

45. Other comprehensive income

Item	Amount of the current period	Amount of the previous period
1. Amount of profit/loss from financial assets available for sale	-472,759.30	739,053.00
Less: income tax of the financial assets available for sale	-104,007.04	147,810.60
Net book value that was measured as other comprehensive income in the previous period and is converted to profit and loss in the current period	-	-
Subtotal	-368,752.26	591,242.40
2. Shares enjoyed in the other comprehensive income of the invested entity measured by employing the equity method	-	-

Item	Amount of the current period	Amount of the previous period
Less: Income tax from shares enjoyed in the other comprehensive income of the invested entity measured by employing the equity method	-	-
Net book value that was measured as other comprehensive income in the previous period and is converted to profit and loss in the current period	-	-
Subtotal	-	-
3. Foreign currency capital	4,791,417.74	380,128.08
Less: Net book value of profit/loss that is converted in the current period by disposing overseas operations	-	-
Subtotal	4,791,417.74	380,128.08
4. Other		
Less: Income tax from other that is recorded into the other comprehensive income	-	-
Net book value of other that was measured as other comprehensive income in the previous period and is converted to profit and loss in the current period	-	-
Subtotal	-	-
Total	4,422,665.48	971,370.48

46. Notes to the cash flow statements

(1) Other cash receipts relating to operating activities

Item	Amount
Mortgage guarantee deposits	-
Maintenance fund advance	-
Revenues from interests of bank deposits	2,669,219.35
Foregift and deposits	37,451,891.50
Revenue from penalty and fine for breach of contract	529,741.52
Repayment of individual loans	4,698,037.40
Revenues from grants	59,143,601.52
Income from disposable items	3,177,410.03
Other accounts receivable and payable	39,753,239.31
Total	147,423,140.63

(2) Other cash payments relating to operating activities

Item	Amount
Cash paid for administrative expenses	67,931,157.18

Cash paid for operating expenses	421,857,012.79
Deposits for mortgage guarantees	-
Payment for pledges, guarantee and warranty	12,775,467.92
Petty cash fund for employees	17,759,859.20
Donations	1,279,373.20
Advance money for others	16,210,104.64
Expenses on contract breach	196,832.36
Interest and handling fees	11,371,720.86
Other expenses and payments	130,222,194.60
Total	679,603,722.75

(3) Other cash receipts relating to investment activities

Item	Amount
Capital reflux from new shares subscribed	-
Comprehensive income from forward exchange contracts	-
Others	-
Total	-

(4) Other cash payments relating to investment activities

Item	Amount
Deposit paid for land bidding	69,000,000.00
Total	69,000,000.00

(5) Other cash receipts relating to financing activities

Item	Amount
Payment of pledged renminbi fixed deposits	1,599,167,652.02
Other	125,213.37
Total	1,599,292,865.39

(6) Other cash payments relating to financing activities

Item	Amount
Pledged renminbi fixed deposits	499,338,600.00
Other	685,510.99
Total	500,024,110.99

47. Supplementary information about the cash flow statements

(1) Information about converting net profits into cash for operating activities

Supplementary information	Amount of the current period	Amount of the previous period
1. Information about converting net profits into cash for operating activities:		
Net income / loss	60,513,008.47	74,986,480.49
Add: Asset impairment reserves	7,165,775.14	-3,751,183.10
Depreciation of fixed assets, oil and gases and production materials	46,375,575.29	59,240,104.33
Amortization of intangible assets	3,807,056.42	3,946,117.72
Amortization of long-term expenses to be apportioned	3,837,916.14	5,145,013.11
Loss on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	-15,090,395.07	-905,122.06
Losses on scrapping of fixed assets (or deduct: gains)	677,257.50	1,087,703.66
Losses on change of fair value (or deduct: gains)	5,334,908.00	-2,178,002.85
Financial expenses (or deduct: gains)	10,435,209.21	5,497,188.82
Investment losses (or deduct: gains)	-3,314,660.27	575,255.31
Decrease in deferred income tax assets (or deduct: increase)	-3,947,149.58	-381,035.38
Increase of deferred income tax liabilities (or deduct: decrease)	-	-
Decrease in inventories (or deduct: increase)	-633,578,753.55	-201,723,059.05
Decrease in operating receivables (or deduct: increase)	375,059,094.98	415,015,961.04
Increase of operating payables (or deduct: decrease)	140,756,707.10	-256,861,041.33
Other	-	-
Net cash flows from operating activities	-1,968,450.22	99,694,380.71
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible bonds to be expired within one year	-	-
Fixed assets under finance lease	-	-
3. Net increase in cash and cash equivalents		
Cash at the end of the period	958,150,311.87	1,427,737,282.66
Less: Cash at the beginning of the period	749,501,416.29	845,026,867.06

Supplementary information	Amount of the current period	Amount of the previous period
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	<u>208,648,895.58</u>	<u>582,710,415.60</u>

(2) Composition of cash and cash equivalents

Item	End. balance	Beg. balance
I. Cash	958,150,311.87	749,951,416.29
Including: Inventory cash	7,625.43	78,085.59
Bank deposits that can be used for payments at any time	958,142,686.44	749,873,330.70
Other currency funds that can be used for payment at any time	-	-
Deposits in the central bank that can be used for payments	-	-
II. Cash equivalents	-	-
Including: Bond investment due within three months	-	-
III. Balance of cash and cash equivalents at the end of the period	<u>958,150,311.87</u>	<u>749,951,416.29</u>

VIII. Related Parties and Associated Transactions

1. Information about the parent company

Name of the parent company	Relationship	Nature of enterprise	Registration place	Legal representative	Business nature
OCT Enterprises Co.	The parent of the Company	State-owned holdings	Shenzhen	Ren Kel ei	Tourism, real estate and electronic industry

(Continued)

Name of the parent company	Registered capital	Proportion of shares held by the parent company (%)	Proportion of voting shares held by the parent company (%)	The final holding party of the Company	Organization code
OCT Enterprises	RMB 2,000,000,000	19.00	19.00	OCT Enterprises	19034617-5

Co.

Co.

2. For information about subsidiary companies of the Company, see No. 1 of Note 6.

3. For information about joint ventures and affiliated enterprises of the Company, see No. 10 of Note 7.

4. Information about other related parties of the Company

Name of other related party	Relationship with the Company	Organization code
Shenzhen OCT East Co., Ltd	Subsidiary company of the final holding company	75252879-9
Shanghai OCT Investment Development Co., Ltd	Subsidiary company of the final holding company	78589775-0
Chengdu Tianfu OCT Industrial Development Co., Ltd	Subsidiary company of the final holding company	78012858-1
Beijing Century OCT Industrial Co., Ltd	Subsidiary company of the final holding company	74005033-7
Taizhou OCT Co., Ltd	Subsidiary company of the final holding company	79457788-X
Shanghai Tianxiang OCT Investment Co., Ltd	Subsidiary company of the final holding company	74805502-8
Guangzhou Panyu Huali Youde Printing and Packing Co., Ltd	Subsidiary company of the final holding company	72378549-7
Anhui Huali Packaging Co., Ltd	Subsidiary company of the final holding company	76276957X
Chongqing Machinery & Electronics Holding (Group) Co., Ltd	Shareholder of Chongqing Qingjia	
OCT Hotel Group	Subsidiary company of the final holding company	71524077-X
Shenzhen OCT Water and Electricity Supply Co., Ltd	Subsidiary company of the final holding company	19217869-7

5. Transactions among related parties

Related party	Transaction type	Transaction content	Pricing principle	Amount of the current period		Amount of the previous period	
				Amount	Percentage in the same transactions (%)	Amount	Percentage in the same transactions (%)
Shenzhen OCT East Co., Ltd	Selling commodities	Selling LCDs	Negotiated prices	4,949,658.12	18.97	5,817,906.02	56.92
Shanghai OCT Investment	Selling commodities	Selling LCDs	Negotiated prices	-	-	-	-

Related party	Transaction type	Transaction content	Pricing principle	Amount of the current period		Amount of the previous period	
				Amount	Percentage in the same transactions (%)	Amount	Percent age in the same transac tions (%)
Development Co., Ltd							
Chengdu Tianfu OCT Industrial Development Co., Ltd	Selling commodities	Selling LCDs	Negotiated prices	-	-	2,455,641.03	24.02
Tai zhou OCT Co., Ltd	Selling commodities	Selling LCDs	Negotiated prices	1,051,282.05	4.03	-	-
Shanghai Tianxiang OCT Investment Co., Ltd	Selling commodities	Selling LCDs	Negotiated prices	-	-	-	-
Beijing Century OCT Industrial Co., Ltd	Selling commodities	Selling LCDs	Negotiated prices	769,230.77	2.95	-	-
Shenzhen Dekon Electronic Co., Ltd	Purchasing goods	Buyi ng components	Negotiated prices	-	-	4,993.07	-
Anhui Huali Packagi ng Co., Ltd	Purchasi ng goods	Buyi ng packi ng materi als	Negotiated prices	15,088,297.02	0.28	8,407,392.45	0.28
Shanghai Huali Packagi ng Co., Ltd	Purchasi ng goods	Buyi ng packi ng materi als	Negotiated prices	6,193,885.44	0.11	2,882,256.22	0.10
Shenzhen Huayou Packagi ng Co., Ltd	Purchasi ng goods	Buyi ng packi ng materi als	Market prices	-	-	8,267,001.58	0.27
Shenzhen Huali Packi ng and Tradi ng Co., Ltd	Purchasi ng goods	Buyi ng packi ng materi als	Negotiated prices	559,711.13	0.01	2,679,312.32	0.09
Guangzhou Panyu Huali Youde Pri nti ng and Packi ng Co., Ltd	Purchasi ng goods	Buyi ng packi ng materi als	Negotiated prices	2,229,370.73	0.04	1,556,416.38	0.05
Hui zhou Huali Packagi ng &	Purchasi ng goods	Buyi ng packi ng	Negotiated prices	4,415,621.43	0.08	-	-

Related party	Transaction type	Transaction content	Pricing principle	Amount of the current period		Amount of the previous period	
				Amount	Percentage in the same transactions (%)	Amount	Percent age in the same transac tions (%)
Trading Co., Ltd		materials					
Shenzhen OCT Water and Electricity Supply Co., Ltd	Purchasing goods	Water and electricity supply	Negotiated prices	3,918,027.40	0.07	3,259,852.84	0.08

6. Amounts receivable from and amount payable to related parties

Item	Related party	End. balance	Beg. balance
Accounts receivable			
	Shenzhen OCT East Co., Ltd	5,500,517.00	3,807,962.00
	Beijing Century OCT Industrial Co.,	-776,880.00	62,500.00
	Chengdu Tianfu OCT Industrial	1,471,200.00	3,617,200.00
	Shanghai OCT Investment Development	550,665.00	550,665.00
	Shenzhen Konka Energy Technology	-	-
	Tai zhou OCT Co., Ltd	546,000.00	-684,000.00
Total		7,291,502.00	7,354,327.00
Other receivables			
	Anhui Huali Packaging Co., Ltd	-	9,585.00
	Shenzhen OCT Gas Station Co., Ltd	80,000.00	80,000.00
	Shenzhen OCT Real Estate Co., Ltd	1,247,137.86	1,212,178.86
	Shenzhen OCT Property Management Co., Ltd	77,402.65	77,402.65
	Dongyangyi Industry Co., Ltd	-	490,000.00
	Shenzhen OCT Water and Electricity Supply Co., Ltd	1,267,992.21	1,033,314.68
Total		2,672,532.72	2,902,481.19
Accounts payable			
	Chongqing Jingkang Plastic Products Co., Ltd	56,188.95	56,188.95
	Shenzhen Dekon Electronic Co., Ltd	356,545.32	356,545.32

Item	Related party	End. balance	Beg. balance
	Anhui Huali Packaging Co., Ltd	7,397,351.27	627,399.63
	Shenzhen Huali Packing and Trading Co., Ltd	1,595,675.54	1,658,918.20
	Guangzhou Panyu Huali Youde Printing and Packing Co., Ltd	841,463.84	261,230.02
	Shenzhen Huayou Packaging Co., Ltd	169.91	169.91
	Huizhou Huali Packaging & Trading Co., Ltd	1,263,597.40	216,974.11
	Shanghai Huali Packaging Co., Ltd	538,685.89	-
Total		12,049,678.12	3,177,426.14
Other payables			
	Guangzhou Panyu Huali Youde Printing and Packing Co., Ltd	16,666.67	800,000.00
	Chongqing Machinery & Electronics Holding (Group) Co., Ltd	129,179.23	129,179.23
	Anhui Huali Packaging Co., Ltd	261,120.00	50,000.00
	Shenzhen Dekon Electronic Co., Ltd	-	-
Total		406,965.90	979,179.23

IX. Contingencies

1. Contingent liabilities and financial effects caused by pending litigation or arbitration

(1) As of December 19, 2007, the Design, Manufacture and Erection Contract for the Beijing Pangu Large-scale Outdoors Full-Color LED Display Screen (Turn-key Project) (hereinafter referred to as the "Contract Agreement") was made by and between the subsidiary of Company-Shenzhen Konka Video & Communication Systems Engineering Co., Ltd., (hereinafter referred to as Shenzhen Konka Video & Communication) and Beijing Pangu Investment Co., Ltd. (hereinafter referred to as the "Pangu Company"), stipulating that the total project period shall be 120 days, the contracted budget price of total engineering payment shall be renminbi 103,357,500 yuan. With six apartments of 3,707.70m² at a total price of renminbi 103,357,500 yuan of "Beijing Mogan 7 Star Plaza" in pledge, Pangu Company and Konka Video & Communication entered into the *Advance Sale for Beijing Commercial Building* (hereinafter referred to as

the “ Advance Sale Contract ”) numbered [Y581462], [Y581455], [Y581458], [Y581459], [Y581460] and [Y581461], and the receipt with equivalent purchase price shall be issued. Meanwhile, both parties have entered into the *Supplementary Agreement* concerning the payment time and payment mode. As agreed, Beijing Pangu, prior to March 30, 2009, shall pay the total construction cost amounting to renminbi 103,357,300 yuan in a lump sum to Shenzhen Konka Video & Communication. 2 2 Termination of the Advance Agreement: The agreement terminates automatically where Beijing Pangu deposits the payment of renminbi 103,357,300 yuan to the account of Shenzhen Konka Video & Communication prior to March 30, 2009. Shenzhen Konka Video & Communication returns pledged apartments and receipts to Beijing Pangu and assists Beijing Pangu in canceling the Advance Agreement. The responsibilities and obligations of both parties arising from the Advance Agreement are terminated.

After the completion of the project, Shenzhen Konka Video & Communication delivered LED displays to Beijing Pangu in July 2008 prior to the start of Beijing Olympic Games. In March, 2009, the project was accepted after the joint acceptance inspection by the involved engineering supervision entity, design entity, Beijing Pangu and Shenzhen Konka Video & Communication and Shenzhen Konka Video & Communication delivered all engineering documents to Beijing Pangu. Shenzhen Konka Video & Communication performed all its responsibilities under the agreement, however Beijing Pangu failed to perform its responsibilities. As of the date of the reporting date, Shenzhen Konka Video & Communication did not receive the account receivable from Beijing Pangu amounting to renminbi 103,357,300 yuan and the Advance Agreement is not terminated.

Shenzhen Konka Video & Communication raised a civil litigation to Beijing Higher People's Court on July 13, 2009 to and submitted an application for attachment at the same day to seal up Apartments 1001, 1101, 1201, 1501, 1601 and 1701 in Unit 5 and Apartment 1001, 1101 and 901 in Unit 6 in Beijing Mogan 7 Star Plaza at Beisi huan M. Road, Chaoyang

District, Beijing or freeze properties or assets of the respondent, amounting to renminbi 150,609,219 yuan.

On August 17, 2009, Beijing Higher People's Court issued GMCZ (2009) No. 4237 Civil Ruling Paper and sealed up the property amounting to renminbi 150,609,219 yuan owned by Beijing Pangu.

As of the reporting date of the financial statement, Beijing Higher People's Court did not make the first-instance judgment on the litigation.

(2) The Company had established long-term product purchase and sales contract relationship with LG-Philips-Shuguang Electronics Co., Ltd (hereinafter referred to as LG-Philips) since 1995 and signed a product purchase and sales contract with LG-Philips every year. Due to the default on advance payment amounting to renminbi 8,575,429.64 yuan by LG-Philips, the Company raised a civil litigation against LG-Philips to Shenzhen Nanshan District People's Court on June 11, 2009, asking for ordering LG-Philips to pay up the amount of renminbi 8,575,429.64 yuan and undertake all expense in litigation. Upon the final confirmation of both parties, it was agreed that LG-Philips owed renminbi 1,338,100 to the Company for goods. A Civil Mediation was issued by the Shenzhen Nanshan District People's Court on 9 Jul. 2010, according to which LG-Philips should repay renminbi 1,338,100 to the Company for goods. The Civil Mediation also stated that LG-Philips should pay renminbi 200,000 to the Company within three months after the Civil Mediation took effect, pay renminbi 500,000 to the Company within six months after the Civil Mediation took effect, and pay the remaining renminbi 638,100 to the Company within one year after the Civil Mediation took effect.

2. Use of letters of credit

In 2010, the Company issued letters of credit with the total amount of renminbi 2,847 million yuan, of which an amount of renminbi 2,283 million yuan has been paid and an amount of renminbi 564 million yuan is not paid.

3. Other contingent liabilities and effects on financial affairs

As of 30 Jun. 2010, the Company has no other significant contingencies that need to be disclosed.

X. Commitments

As of 30 Jun. 2010, the Company has no significant commitments that

need to be disclosed.

XI. Post Balance Sheet Date Events

The Company has no post balance sheet date events that need to be disclosed.

XII. Description of Other Significant Matters

1. Assets and liabilities measured in fair value

Item	Amount at the beginning of the period	Profit/loss from change of fair value of the current period	Change of fair value that is recorded into the equity in the current period	Change of accumulated fair value that is recorded into the equity	Allotted impairment in the current period	Amount at the end of the period
Derivative financial assets	3,673,164.00	-3,673,164.00			-	-
Financial assets available for sale	10,268,121.10		-472,759.30	-532,155.37	-	9,795,361.80
Subtotal of financial assets	13,941,285.10	-3,673,164.00	-472,759.30	-532,155.37	-	9,795,361.80
Derivative financial liabilities	-	-1,661,744.00	-	-	-	1,661,744.00
Subtotal of financial liabilities	-	-1,661,744.00	-	-	-	1,661,744.00

2. Losses have occurred in Chongqing Konka Automotive Electronic Co., Ltd, Chongqing Konka Electronic Co., Ltd and Mudanjiang Konka Electronic Co., Ltd, subsidiary companies of the company, in successive years and their operating activities are virtually stopped. As of the approval date of the financial statement, the Company has not made any decision to stop operating activities of these companies.

3. In accordance with the agreement on relocation and investment compensation of old factory of Anhui Konka Household Appliance Co., Ltd signed between Anhui Konka Household Appliance Co., Ltd, a subsidiary company of the Company, and the Administrative Committee of Chuzhou Economic Development Zone on March 27, 2009, the factory of Anhui Konka Household Appliance Co., Ltd at No. 42 Langya Gudao with an area of 54,620.40 square meters shall be relocated according to the urban planning of Chuzhou (CGYZ No. (2002) 01544 and CGYZ No. (2003) 00138). The Administrative Committee supported the strategic development, product upgrade and technical reform of Anhui Konka Household Appliance Co., Ltd and provided subsidies of renminbi 50,000,000 yuan for the losses on relocation, housings and buildings, equipment and relevant expenses. Meanwhile, to support the transformation from tradition color television to flat panel television, accelerate product upgrade and technical reform, the Administrative Committee provided a special subsidy of renminbi 30,000,000 yuan to Anhui Konka Household Appliance Co., Ltd. The agreement defines the terms and time of payment: Anhui Konka Household Appliance Co., Ltd starts the relocation from April 1, 2009 and the Administrative Committee pays an amount of renminbi 10,000,000 yuan to Anhui Konka Household Appliance Co., Ltd prior to March 30, 2009; Anhui Konka Household Appliance Co., Ltd starts factory and logistic planning and construction in August 2009 and the Administrative Committee tries to pay an amount of renminbi 10,000,000 yuan prior to September 30 and an amount of renminbi 20,000,000 yuan prior to December 20, 2009 (if the Administrative Committee fails to pay the amount of renminbi 10,000,000 yuan on time, it pays the amount of renminbi 30,000,000 prior to December 20, 2009). The Administrative Committee pays up all subsidies prior to June 30, 2010.

Anhui Konka Household Appliance Co., Ltd completed the relocation in 2009. As of the approval date of the financial statement, Anhui Konka Household Appliance Co., Ltd received cumulatively the subsidy on

relocation of renminbi 50,000,000 yuan and special subsidy of renminbi 10,000,000 yuan.

4. The subsidiary of the Company-Anhui Konka Household Appliance Co., Ltd got a loan of renminbi 30,000,000 yuan from Chuzhou Branch of Bank of China. As of March 1, 2008, the Ceiling Amount of Mortgage Contract numbered 2008 CZYDIZ No. 021, was entered into by Anhui Electric and Chuzhou Branch of Bank of China. As stipulated, the business for loan, trade financing, Guarantee, financial and other credit business (collectively called "Single contract") as well as the amended or supplemented parts were the main contracts under that contract. The maximum principal balance of the secured Debt of the contract was renminbi 25,000,000 yuan, with the following guaranties: the land tenancy numbering CGY (2007) No. 00144 at original carrying value of renminbi 3,357,100 yuan, net carrying value of renminbi 3,150,000 yuan and assessed value of renminbi 17,282,400 yuan; the land tenancy numbering CGY (2007) No. 00464 at original carrying value of renminbi 2,996,800 yuan, net carrying value of renminbi 2,842,000 yuan and assessed value of renminbi 15,593,700 yuan; the No.00886 building of 2008 Zi Property Right Certificate at original carrying value of renminbi 15,250,600 yuan, net carrying value of renminbi 14,443,900 yuan and assessed value of renminbi 23,151,800 yuan.

5. The subsidiary of the Company-Anhui Konka got a loan of renminbi 50,000,000 yuan from Chuzhou Branch of Bank of China. As stipulated, the land tenancy (CGY (2006) No. 00451 Land Certificate and CGY(2007) No. 00476 Land Certificate) of the Company's land of 93,946m² located in the east side of Nanqiao South Road, Chuzhou Development Zone, at original carrying value of renminbi 8,511,900 yuan and net carrying value of renminbi 6,438,200 yuan; and the Company's house property right (Chu 2000 Zi No. 01194 Property Right Certificate, Chu 2002 Zi No. 02068 Property Right Certificate, Chu 2007 Zi No. 00357 Property Right Certificate) of the old factory, buildings A, B, D, E, substation, and warehouse F located in the

east side of Nanqiao South Road, Chuzhou Development Zone, at original carrying value of renminbi 59,502,400 yuan and net carrying value of renminbi 44,803,200 yuan shall be jointly mortgaged and evaluated as renminbi 38,050,000 yuan to secure the loan amounting to renminbi 38,000,000 yuan including the principal of renminbi 22,000,000 yuan extended before November 9, 2007 by Chuzhou Branch, Bank of China to Anhui Konka valid from November 20, 2007 to November 20, 2010, and the principal prior to November 9, 2007.

6. On 17 Jun. 2010, Shenzhen Konka Communication Technology Co., Ltd. and Shenzhen Branch of Bank of China entered into the Credit Line Agreement numbered "2010 ZZYEX No. 000301", stipulating that the loan amount valid from 17 Jun. 2010 to 17 Jun. 2011 shall not exceed the comprehensive credit line of renminbi 5,300,000,000 yuan. According to the Agreement, the Company shall be the accredited party, and Shenzhen Konka Communication Technology Co., Ltd. shall be the authorized withdrawer. Meanwhile, the Company issued a commitment letter to the Bank of China, promising that during the valid period of the Credit Line Agreement numbered "2010 ZZYEX No. 000301" and the period when any liability under the said credit line is unsettled, no housing properties of the Company, its controlled subsidiary Dongguan Konka and Shenzhen Konka Communication Technology shall be pledged to any other legal person, institution or natural person than the Bank of China. On 17 Jun. 2010, the ceiling amount mortgage contracts numbered ZYSZE Zi No.0008 and No.0010 were made between the Company and Shenzhen Branch of Bank of China. As stipulated, the Company's banker's acceptance bill of not less than renminbi 1,200,000,000 yuan and its margin account with No. 820100364308401001, shall be pledged to secure all liabilities incurred under the Credit Line Agreement.

XIII. Note to the Financial Statements of the Parent Company

1. Accounts receivable

(1) Accounts receivable are listed below as per category

Category	End. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant individual amount	106,923,800.97	10.98	-	-
The portfolio with insignificant single amount has a greater risk after combined on the credit risk basis	180,623,729.23	18.54	169,493,473.85	90.04
Other insignificant accounts receivable	686,579,632.36	70.48	18,755,006.50	9.96
Total	974,127,162.56	100.00	188,248,480.35	100.00

(Continued)

Category	Beg. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant individual amount	536,752,914.49	41.61	4,823,680.38	2.61
The portfolio with insignificant single amount has a greater risk after combined on the credit risk basis	180,324,893.47	13.98	167,680,448.26	90.78
Other insignificant accounts receivable	572,745,663.27	44.41	12,197,557.78	6.61
Total	1,289,823,471.23	100.00	184,701,686.42	100.00

Remark: Recognition basis of accounts receivable with significant individual amount: the account receivable with the balance at the end of the period greater than renminbi 20,000,000.

(2) Bad debt reserves at the end of the period

The accounts receivable with significant individual amount or with insignificant amount but independently impairment tested

Contents of account receivable	Book value	Bad debt reserve	Withdrawing ratio	Reason
Goods payment	106,923,800.97	-	-	Bad debt reserves

Contents of account receivable	Book value	Bad debt reserve	Withdrawing ratio	Reason
				were not withdrawn for related parties within the consolidation scope.

The portfolio with insignificant single amount has a greater risk after combined on the credit risk basis

Age	End. balance			Beg. balance		
	Book balance		Bad debt reserves	Book balance		Bad debt reserves
	Amount	Proportion (%)		Amount	Proportion (%)	
Three to four years	541,700.75	0.06	270,850.38	22,054,231.26	1.71	11,733,415.02
Four to five years	21,718,810.02	1.68	10,859,405.01	8,153,136.90	0.63	5,829,507.93
Five years or longer	158,363,218.46	12.28	158,363,218.46	150,117,525.31	11.64	150,117,525.31
Total	180,623,729.23	14.02	169,493,473.85	180,324,893.47	13.98	167,680,448.26

Remark: The recognition basis of the account receivables with insignificant individual amount but with a greater risk after portfolio on the credit risk basis: the balance of the account receivable is less than renminbi 20,000,000 yuan with the age of three or longer years.

(3) No accounts receivable are actually written off in the current reporting period.

(4) For information about accounts receivable that were written off in the previous period and are recovered in the current period, see 4(3) of Note 7.

(5) In the reporting period, no shareholder entity that holds 5% or more shares of the Company owes debts to the Company.

(6) The total amount of the top five accounts receivable at the end of the current period is renminbi 155,645,355.56 yuan, about 15.98% of the total accounts receivable.

2. Other receivables

(1) Other receivables are listed below as per category

Category	End. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant individual amount	443,200,457.76	83.50	-	-
Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis	18,255,370.18	3.44	11,683,839.77	92.53
Other insignificant receivables	69,340,054.40	13.06	943,768.98	7.47
Total	530,795,882.34	100.00	12,627,608.75	100.00

(Continued)

Category	Beg. balance			
	Book balance		Bad debt reserves	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant individual amount	808,467,408.91	92.27	-	-
Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis	27,658,478.47	3.16	11,782,510.53	93.31
Other insignificant receivables	40,065,240.66	4.57	845,098.22	6.69
Total	876,191,128.04	100.00	12,627,608.75	100.00

Remark: Recognition basis of accounts receivable with significant individual amount: the account receivable with the balance at the end of the period is greater than renminbi 10,000,000 yuan.

(2) Bad debt reserves at the end of the period

Other receivables with significant individual amounts or with insignificant individual amounts but independently tested for impairment at the end of the period

Other receivables	Book value	Bad debt reserves	Allotment proportion	Reason
Accounts receivable and	443,200,457.76	-	-	Bad debt reserves were not

Other receivables payable	Book value	Bad debt reserves	Allotment proportion	Reason
				withdrawn for related parties within the consolidation scope.

Other receivables with insignificant single amount has a greater risk after combined on the credit risk basis

Age	End. balance			Beg. balance		
	Book balance		Bad debt reserves	Book balance		Bad debt reserves
	Amount	Proportion (%)		Amount	Proportion (%)	
Three to four years	2,033,433.70	0.38	1,248,118.44	12,050,552.67	1.37	1,346,789.20
Four to five years	931,087.03	0.18	255,763.65	373,008.42	0.04	255,763.65
Five years or longer	15,290,849.45	2.88	10,179,957.68	15,234,917.38	1.75	10,179,957.68
Total	18,255,370.18	3.44	11,683,839.77	27,658,478.47	3.16	11,782,510.53

(3) In other receivables in the reporting period, no shareholder entity that holds 5% or more shares of the Company owes debts to the Company.

(4) Accounts receivable from related parties

Name	Relationship with the Company	Amount	Percentage in total receivables (%)
Shenzhen Konka Information Network Co., Ltd	Subsidiary company	103,357,300.00	19.47
Kunshan State-owned Land and Resource Bureau	Non-related party	69,000,000.00	13.00
Dongguan Konka Electronic Co., Ltd.	Subsidiary company	38,560,741.84	7.26
Boluo Konka Precision Technology Co., Ltd.	Subsidiary company	26,770,700.00	5.04
Anhui Konka Electronic Co., Ltd.	Subsidiary company	26,560,803.43	5.00
Total		264,249,545.27	49.77

3. Long-term equity investment

(1) List of long-term equity investment

Item	Beg. balance	Increase of the period	Decrease of the period	End. balance
Investment on subsidiary companies	1,374,259,154.56	20,000,000.00	-	1,394,259,154.56
Investment on jointly funded enterprises	-	-	-	-
Investment on affiliated enterprises	-	-	-	-
Other equity investments	10,038,000.00	-	-	10,038,000.00
Less: provisions for depreciation of long-term equity investments	105,694,984.69	-	-	105,694,984.69
Total	1,278,602,169.87	20,000,000.00	-	1,298,602,169.87

(2) Long-term equity investment measured by employing the equity method

Invested entity	Accounting method	Initial investment costs	Beg. balance	Increase/decrease amounts	End. balance
Mudanjiang Konka Electronics Co., Ltd	Cost method	36,000,000.00	36,000,000.00		36,000,000.00
Shaanxi Konka Electronic Co., Ltd	Cost method	44,869,809.80	44,869,809.80		44,869,809.80
Anhui Konka Electronic Co., Ltd	Cost method	122,780,937.98	122,780,937.98		122,780,937.98
Dongguan Konka Electronic Co., Ltd	Cost method	274,783,988.91	274,783,988.91		274,783,988.91
Hong Kong Konka International Electronics Co., Ltd	Cost method	781,828.61	781,828.61		781,828.61
Chongqing Konka Electronic Co., Ltd	Cost method	27,000,000.00	27,000,000.00		27,000,000.00
Anhui Konka Household Appliance Co., Ltd	Cost method	74,981,122.07	74,981,122.07		74,981,122.07
Konka (Europe) Ltd	Cost method	261,482.50	261,482.50		261,482.50
Konka Nanhai Institute	Cost method	500,000.00	500,000.00		500,000.00
Kunshan Konka Electronic Co., Ltd	Cost method	350,000,000.00	350,000,000.00		350,000,000.00
Chongqing Jingkang Plastic Products Co., Ltd	Cost method	4,655,000.00	4,655,000.00		4,655,000.00
Konka Electric and	Cost method	10,732,484.69	10,732,484.69		10,732,484.69

Invested entity	Accounting method	Initial investment costs	Beg. balance	Increase/decrease amounts	End. balance
Electronic Co., Ltd Shenzhen Konka Communication Technology Co., Ltd	Cost method	90,000,000.00	90,000,000.00		90,000,000.00
KONKA AMERICA, INC Shenzhen Information Network Co., Ltd	Cost method	8,062,500.00	8,062,500.00		8,062,500.00
Shenzhen Shushi da Electronics Co., Ltd	Cost method	22,500,000.00	22,500,000.00		22,500,000.00
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd	Cost method	31,500,000.00	31,500,000.00		31,500,000.00
Chongqing Konka Automotive Electronic Co., Ltd	Cost method	9,000,000.00	9,000,000.00		9,000,000.00
Shenzhen Electronic Fittings Technology Co., Ltd	Cost method	17,100,000.00	17,100,000.00		17,100,000.00
Konka (Kunshan) Real Estate Investment Co., Ltd	Cost method	48,750,000.00	48,750,000.00		48,750,000.00
Konka Optoelectronics Shenzhen Wankai da	Cost method	200,000,000.00	200,000,000.00		200,000,000.00
Shenzhen Julong Optoelectronics Co., Ltd	Cost method	10,000,000.00	-	10,000,000.00	10,000,000.00
Feihong Electronics Co., Ltd	Cost method	10,000,000.00	-	10,000,000.00	10,000,000.00
Shenzhen Association of Enterprises with Foreign Investment	Cost method	2,000,000.00	2,000,000.00		2,000,000.00
Shenzhen Make-plan Investment Development Co., Ltd	Cost method	1,300,000.00	1,300,000.00		1,300,000.00
IGRS Information Technology Engineering Center Co., Ltd	Cost method	100,000.00	100,000.00		100,000.00
Shenzhen CTU Hi-tech Ltd	Cost method	485,000.00	485,000.00		485,000.00
Total		1,384,297,154.56	1,384,297,154.56	20,000,000.00	1,404,297,154.56

(Continued)

Invested entity	Proportion of shares held in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested entity	Impairment provision	Impairment provision allotted of the current period	Cash dividends of the current period
Mudanjiang Konkastronics Co., Ltd	60.00	60.00		36,000,000.00	-	-
Shaanxi Konkastronic Co., Ltd	60.00	60.00		-	-	-
Anhui Konkastronic Co., Ltd	96.46	97.45	Anhui Konkastronic Co., Ltd indirectly holds 4.48% of shares of Anhui Konkast Household Appliances Co., Ltd	-	-	-
Dongguan Konkastronic Co., Ltd	100.00	100.00		-	-	-
Hong Kong Konkast International Electronics Co., Ltd	99.00	100.00		-	-	-
Chongqing Konkast Electronic Co., Ltd	60.00	60.00		27,000,000.00	-	-
Anhui Konkast Household Appliances Co., Ltd	78.00	78.00		-	-	-
Konka (Europe) Ltd	100.00	100.00		-	-	-
Konka Nanghai Institute	100.00	100.00		-	-	-
Kunshan Konkast Electronic Co.,	100.00	100.00		-	-	-

Invested entity	Proportion of shares held in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested entity	Impairment provision	Impairment provision allotted of the current period	Cash dividends of the current period
Ltd						
Chongqing Jingkang Plastic Products Co., Ltd	100.00	100.00		-	-	-
Konka Electric and Electronic Co., Ltd	51.00	51.00		10,732,484.69	-	-
Shenzhen Konka Communication Technology Co., Ltd	75.00	100.00		-	-	-
KONKA AMERICA, INC	100.00	100.00		8,062,500.00	-	-
Shenzhen Information Network Co., Ltd	100.00	100.00		22,500,000.00	-	-
Shenzhen Shushi da Electronics Co., Ltd	100.00	100.00		-	-	-
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd	60.00	60.00		-	-	-
Chongqing Konka Automotive Electronic Co., Ltd	57.00	57.00		-	-	-
Shenzhen Electronic Fittings	100.00	100.00		-	-	-

Invested entity	Proportion of shares held in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested entity	Impairment provision	Impairment provision allotted of the current period	Cash dividends of the current period
Technology Co., Ltd						
Konka (Kunshan) Real Estate Investment Co., Ltd	100.00	100.00		-	-	-
Konka Optoelectronics Shenzhen Wankai da Fei hong Electronics Co., Ltd.	100.00	100.00				
Shenzhen Julong Optoelectronics Co., Ltd	100.00	100.00				
Shenzhen Association of Enterprises with Foreign Investment Shenzhen Make-plan Investment Development Co., Ltd	-	-		1,300,000.00	-	-
IGRS Information Technology Engineering Center Co., Ltd	10.00	10.00		-	-	-
Shenzhen CTU Hi-tech Ltd	11.50	11.50		100,000.00	-	-
Total				105,694,984.69	-	-

4. Revenues and operating costs

(1) Revenues and operating costs

Item		Amount of the current period		Amount of the previous period	
Revenues	from main operations	6,524,311,285.69		4,216,259,024.45	
Revenues	from other operations	1,041,042,220.58		113,504,227.16	
Total revenues		7,565,353,506.27		4,329,763,251.61	
Costs of main operations		5,651,885,943.38		3,455,284,868.28	
Costs of other operations		1,034,718,608.23		100,064,673.89	
Total operating costs		6,686,604,551.61		3,555,349,542.17	

(2) Main operations (by industries)

Industry	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Electronic industry	6,524,311,285.69	5,651,885,943.38	4,216,259,024.45	3,455,284,868.28

(3) Main operations (by products)

Name	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Color television business	5,908,583,213.90	5,171,044,861.97	3,710,284,808.09	3,054,809,730.82
White goods business	605,118,826.33	469,960,034.65	505,974,216.36	400,475,137.46
Other	10,609,245.46	10,881,046.76	-	-
Total	6,524,311,285.69	5,651,885,943.38	4,216,259,024.45	3,455,284,868.28

(4) Main operations (by regions)

Region	Amount of the current period		Amount of the previous period	
	Revenues	Operating costs	Revenues	Operating costs
Domestic revenues	5,302,820,965.52	4,432,876,169.99	3,959,082,565.95	3,188,442,615.72
Overseas revenues	1,221,490,320.16	1,219,009,773.39	257,176,458.50	266,842,252.56
Total	6,524,311,285.68	5,651,885,943.38	4,216,259,024.45	3,455,284,868.28

(5) Revenues from the top five customers

The revenues from the top five customers amount to renminbi

2,373,699,674.51 yuan, taking up 31.38 % of the total revenues.

5. Investment income

(1) List of investment income items

Invested entity	Amount of the current period	Amount of the previous period
Income from long-term equity investment measured by employing the cost method	19,092,952.03	1,350,000.00
Investment income from disposing transactional financial assets	-	-
Investment income from financial assets available for sale	10,529.35	-
Total	19,103,481.38	1,350,000.00

Remark: No significant restriction is imposed on repatriation of the investment income of the Company.

(2) Income from long-term equity investment measured by employing the cost method

Invested entity	Amount of the current period	Amount of the previous period	Reason for increase/decrease of the current period by comparing with the previous period
Anhui Konka Household Appliance Co., Ltd	19,092,952.03	-	Increase of profit distributed by the subsidiary
Shaanxi Konka Electronic Co., Ltd	-	1,350,000.00	Decrease of profit distributed by the subsidiary
Total	19,092,952.03	1,350,000.00	

6. Supplementary information about the cash flow statements

Supplementary information	Amount of the current period	Amount of the previous period
1. Information about converting net profits into cash for operating activities:		
Net income / loss	-18,456,929.86	42,522,972.50
Add: Asset impairment reserves	3,546,793.93	-4,951,506.85
Depreciation of fixed assets, oil and gases and production materials	15,906,582.84	29,986,860.81

Supplementary information	Amount of the current period	Amount of the previous period
Amortization of intangible assets	1,132,162.65	806,328.50
Amortization of long-term expenses to be apportioned	995,701.01	1,008,511.95
Loss on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	-15,090,395.07	54,738.78
Losses on scrapping of fixed assets (or deduct: gains)	221,059.86	174,269.53
Losses on change of fair value (or deduct: gains)	4,190,488.00	-2,178,002.85
Financial expenses (or deduct: gains)	8,513,441.54	4,356,685.76
Investment losses (or deduct: gains)	-19,103,481.38	-1,350,000.00
Decrease in deferred income tax assets (or deduct: increase)	614,963.92	147,810.60
Increase of deferred income tax liabilities (or deduct: decrease)	-	-
Decrease in inventories (or deduct: increase)	-582,628,647.84	-161,860,769.48
Decrease in operating receivables (or deduct: increase)	799,754,696.60	626,731,032.73
Increase of operating payables (or deduct: decrease)	-308,805,319.52	-658,320,448.87
Other	-	-
Net cash flows from operating activities	-109,208,883.32	-122,871,516.89
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		-
Convertible bonds to be expired within one year		-
Fixed assets under finance lease		-
3. Net increase in cash and cash equivalents		
Cash at the end of the period	438,848,191.15	667,762,855.64
Less: Cash at the beginning of the period	341,440,119.99	358,631,499.14
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	97,408,071.16	309,131,356.50

(2) Composition of cash and cash equivalents

Item	End. balance	Beg. balance
I. Cash	438,848,191.15	341,440,119.99

Item	End. balance	Beg. balance
Including: Inventory cash	5,102.03	6,129.34
Bank deposits that can be used for payments at any time	438,843,089.12	341,433,990.65
Other currency funds that can be used for payment at any time		-
Deposits in the central bank that can be used for payments		-
II. Cash equivalents		-
Including: Bond investment due within three months		-
III. Balance of cash and cash equivalents at the end of the period	438,848,191.15	341,440,119.99

XIV. Supplementary information

1. Non-recurring gains and losses of the current period

Item	Amount	Remark
Gains/losses on disposal of non-current assets	14,413,137.27	
Government grants that are recorded into the gains and losses of the period (closely related to services of a company, excluding governments grants that are entitled in certain amount or quantity according to relevant regulations of the government)	7,373,346.55	
Gains and losses on change of fair value of transactional financial assets and transactional financial liabilities	-5,334,908.00	NDF
Investment revenues from selling financial assets that are available for sale	10,529.35	
Other operating revenues and expenses except the abovementioned items	3,392,967.22	
Subtotal	19,855,072.39	
Effect of amount of the income tax	4,324,623.39	
Effect on the amount of the equity of minority shareholders (post-tax)	268,027.10	
Total	15,262,421.90	

2. Rate of return on net assets and earnings per share

	Amount of the current period			Amount of the previous period		
	Weighted average rate of return on net assets	Earnings per share (renminbi yuan/share)		Weighted average rate of return on net assets	Earnings per share (renminbi yuan/share)	
Profits in the reporting period	rate of return on net assets	Basic earnings per	Diluted earnings per	rate of return on net assets	Basic earnings per	Diluted earnings per

		share	share		share	share
Net profits attributed to shareholders of common shares of the Company	1.30	0.0423	0.0423	2.10	0.0667	0.0667
Net profits of non-recurring gains and losses attributed to shareholders of common shares	0.91	0.0296	0.0296	1.97	0.0623	0.0623

Calculation of weighted average rate of return on net assets

(1) Weighted average rate of return on net assets corresponding to the net profits attributed to shareholders of common shares of the Company = the net profits attributed to shareholders of common shares of the Company / Weighted average rate of return on net assets attributed to shareholders of common shares of the Company = $50,887,520.39 \div 390,0811,621.755 \times 100\% = 1.30\%$

(2) Weighted average rate of return on net assets corresponding to the net profits of non-recurring gains or losses attributed to shareholders of common shares of the Company = the net profits of non-recurring gains or losses attributed to shareholders of common shares of the Company / Weighted average rate of return on net assets attributed to shareholders of common shares of the Company = $(50,887,520.39 - 15,262,421.90) \div 390,0811,621.755 \times 100\% = 0.91\%$

(3) For calculation of basic earnings per share and diluted earnings per share, see 45 of Note 44: basic earnings per share and diluted earnings per share.

3. Abnormalities of main items in the financial statements and explanation of relevant reasons (In renminbi: 10,000 yuan)

Item	Year 2010	Year 2009	Change	Rate of change (%)	Reasons for change
	a	b	a-b	(a-b)/ b	
Transactional financial assets	0.00	367.32	-367.32	-100.00	Fair value changes of NDF
Prepayment	18,953.29	27,585.08	-8,631.79	-31.29	Notes were mainly adopted in payment for purchases in the current period.

Item	Year 2010	Year 2009	Change	Rate of change (%)	Reasons for change
	a	b	a-b	(a-b)/ b	
Interest receivable	1,318.75	3,252.99	-1,934.24	-59.46	Lots of NDF pledge deposits were due and relevant interest receivables were collected.
Other receivables	16,593.17	1,957.24	14,635.93	747.78	Land bidding deposits, etc. in the current period
Construction in process	13,854.86	6,108.79	7,746.07	126.80	An increase of renminbi 45 million yuan for investment in the Konka R&D Building; an increase of renminbi 19 million yuan for office building acquisition; and an increase of renminbi 12 million for the Kunshan module production base project
Short-term borrowings	398,005.03	277,001.40	121,003.63	43.68	The increase was due to the short-term operating financing business.
Taxes and fares payable	-32,117.65	-13,289.77	-18,827.88	141.67	Value-added tax expiation increased due to increase of the purchase amount in the current period.
Interest payable	962.84	2,363.30	-1,400.46	-59.26	Lots of NDF foreign-currency borrowings were due and interest payable decreased.
Dividend payable	1,604.85	80.45	1,524.40	1894.84	Stock dividends recognized in the current period
Operating income	794,018.38	517,200.00	276,818.38	53.52	Plat-panel TVs, which were of a relatively high value, took up a larger proportion in sales in the current period.
Operating cost	670,025.33	419,172.07	250,853.26	59.84	Plat-panel TVs, which were of a relatively high cost, took up a larger proportion in sales in the current period.
Selling expenses	92,783.96	67,056.39	25,727.57	38.37	The selling expenses increased due to the revenue growth, as well as more promotion and advertising.
Financial expenses	2,252.47	1,618.24	634.23	39.19	Interest expenses on the short-term operating financing

Item	Year 2010	Year 2009	Change	Rate of change (%)	Reasons for change
	a	b	a-b	(a-b)/ b	
					business increased.
Asset impairment loss	716.58	-375.12	1,091.70	291.03	More bad debt reserves in the current period
Income from fair value changes	-533.49	217.80	-751.29	-344.94	NDF contracts signed in 2009 were settled due to maturity, which offset the fair value change incomes recognized at the end of 2009.
Investment income	331.47	-57.53	389.00	676.17	Income from long-term equity investment measured at the equity method increased.
Non-operating income	5,236.45	627.81	4,608.64	734.08	Incomes from tax refunds and fixed asset disposal increased in the current period.
Non-operating expenses	451.69	185.44	266.25	143.58	Increase in the loss from fixed asset disposal and donations
Income tax expenses	1,978.42	1,261.61	716.81	56.82	The income tax and deferred income tax increased, which were calculated according to the Law of Taxation and relevant regulations.
Net profit attributable to owners of the parent company	5,088.75	8,030.20	-2,941.45	-36.63	Profit decreased in the current period.
Minority interests	962.55	-531.55	1,494.10	281.08	Profit of subsidiaries increased in the current period.