

KONKA GROUP CO., LTD.

THE THIRD QUARTERLY REPORT 2007

§ 1. Important Notice

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

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

1.3 All directors attended the Board Meeting.

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

1.5 Mr Hou Songrong, President of the Board of Directors of the Company, Mr Yang Guobin, Chief Financial Executive and Mr. Ruan Renzong, Person in charge of Accounting Organ, hereby confirmed that the Financial Report enclosed in the Quarterly Report is true and complete.

§ 2. Company Profile

2.1 Main accounting data and financial indexes

Unit: RMB Yuan

	At the end of the report period	At the end of the previous year	Increase/decrease at the end of the report period compared with that at the end of the last year (%)
Total assets	9,393,869,737.98	10,019,526,991.31	-6.24
Owner's equity (Shareholders' equity)	3,360,667,289.87	3,369,057,575.42	-0.25
Net assets per share	5.583	5.597	-0.25
	From the beginning of the year to the end of the report period		Increase/decrease during the report period compared with that of the last year (%)
Net cash flow arising from operating activities	214,446,773.30		3.13
Net cash flow per share arising from operating activities	0.3562		3.13
	The report period	From the beginning of the year to the end of the report period	Increase/decrease during the report period compared with that of the last year (%)
Net profit	13,196,555.46	55,670,488.03	51.37
EPS-Basic	0.0219	0.0925	51.03
EPS-Basic after deducting non-recurring gains and losses	-	0.0910	-
EPS-Diluted	0.0219	0.0925	51.03
Return on equity	0.39%	1.66%	Increase 0.13 percentage points
Return on equity after deducting non-recurring gains and losses	0.42%	1.63%	Increase 0.16 percentage points

Items of non-recurring gains and losses

Unit: RMB Yuan

Items of non-recurring gains and losses	From the beginning of the year to the end of the report period
Income from equity transfer	557,204.91
Non-operating income and expense	350,221.07
Amount influenced by minority interest	-14,585.35
Total	892,840.63

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total shareholders		89,629
Particulars about share holding of the top ten shareholders not subject to moratorium		
Name of shareholders	Number of shares not subject to moratorium held	Type of share
GAO-LING FUND,L.P.	28,724,813	Tradable B share
GUOTAI JUNAN SECURITIES HONG KONG LIMITED	14,319,815	Tradable B share
GSI S/A GOLDEN CHINA MASTER FUND	13,105,426	Tradable B share
GU SONG HUA	7,102,849	Tradable A share
GLHH FUND II, L.P.	7,024,860	Tradable B share
NOMURA SECURITIES CO.LTD	6,750,000	Tradable B share
YALE UNIVERSITY	6,429,270	Tradable B share
CHINA INDUSTRIAL AND COMMERCIAL BANK-HARVEST STRATEGIC GROWTH MIXED TYPE FUND)	6,276,277	Tradable A share
DEUTSCHE BANK AG,SINGAPORE	5,191,801	Tradable B share
NAM NGAI	4,930,400	Tradable B share

§ 3. Significant Events

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

Applicable Inapplicable

1. Transactional financial assets increased RMB 863.14 million over the year-begin and transactional financial liabilities increased RMB 861.72 million over year-begin, mainly because the Company and its controlling subsidiary developed import payment for foreign exchange and wealth management so as to response the risk of inflation of RMB and deflation of USD. The amount at period-end is the accumulated balance for business in this period.
2. Available for sale financial assets increased by 249% over the year-begin mainly because the Company developed new stock purchashe after authorization of the Board of Directors, which led to an increase of new stock purchased in this term but not sold whose book value amounted to

RMB 24.41 million.

3. Project in construction increased by 61% over the year-begin, mainly because equipment bought by the Company and the subsidiary had not installed up yet and the Company enlarged devotion in technical reform for exsited equipment.
4. Long-term expense to be apportioned increased by 101% over the year-begin, mainly because the subsidiary purchased products so as to research for developing platform.
5. Short-term borrowings increased by 47% over the year-begin mainly because the subsidiary, Anhui Konka Electronic Co., Ltd. increased borrowing from bank amounting to RMB 7 million.
6. Tax payable increased by 112.30% over the year-begin mainly because more overpaid deductible VAT owing to more purchase of raw material in Dec. 2006, which led to large increase in tax payable at the period-end.
7. Dividend payable increased by 13468.35% over the year-begin mainly because the Company didn't pay dividend in 2006 to one shareholder of the Company -- THOMSON INVESTMENTS GROUP LIMITED and the subsidiary company didn't pay dividend to minority shareholders.
8. Financial expenses increased by 246.35% over the same period of last year mainly because the interest of discounted bills and exchange loss increased in a large extent during this period.
9. Investment income increased RMB 3,626,667.78 over the same period of last year mainly because the Company sold out part of purchasred new stocks in this period and acquired net earnings.
10. Net profit increased by 51.37% over the same period of last year mainly because the Company acquired investment income from new stocks and adjusted items of unrecovered loss in subsidiary at the same period last year according to the New Accounting Standards in this period.

3.2 Progress of significant events and influence as well as explanation on analysis of resolving proposal

Applicable Inapplicable

1. To implement technical innovation plan and elevate the capability of Konka in products development, basic research and talent cultivation, the Company would construct Konka Digital Research & Development Center in southern district of Shenzhen Sience Park devoting not exceeding RMB 567 million after examination and approval of the 1st meeting of the 6th Board of Directors. Currently, the Company had handled the land use procedure and has been performing scheme design for this project.
2. Examined and approved by the 3rd meeting of the 6th Board of Directors, the Company devoted fund not exceeding RMB 450 million in purchasing new stocks, participating placing of new stocks and introduction of new stocks provided that fund security and normal production and operation. In specific timepoint, whether invest or not and how much to invest is decided by amount of short-term idle fund and condition of securities market. The Company participated purchase stocks of China COSCO, Construction Bank, China Shenhua and etc. The details were in 3.5.1 Securities investment.

3. Implementation of related transaction related with daily operation

Unit: RMB Yuan

Variety of related transaction	Classificati	Related person	Total implmented amount in first three quarters	Proportion in similar transactions
		Shanghai Huali Packaging Co., Ltd.	11,962,844.86	0.17%
		Shenzhen Huali Packing and Trading Co., Ltd.	18,841,351.15	0.27%

materials	Shenzhen Huali Packing and Trading Co., Ltd.	18,841,351.15	0.27%
	Mudanjiang Huali Packaging Co., Ltd.	5,484,210.04	0.08%
	Anhui Huali Packaging Co., Ltd.	33,172,092.96	0.48%
	Shenzhen Huayou Packaging Co., Ltd.	7,350,013.86	0.11%

The Company disclosed Forecasted Notice of Daily Related Transaction (No. 2007-05) in Securities Times, Shanghai Securities Journal, Hong Kong Ta Kung Pao and www.cninfo.com.cn dated Apr. 19, 2007. In the report period, the pricing basis, transaction price, transaction amount and way of payment in raw material package from the five foresaid related parties basically accorded with forecasted conditions.

3.3 Implementation on commitments made by the Company, shareholders and the actual controller

Applicable Inapplicable

The shareholders of the Company made the following commitments in share merge reform of 2006:			
Name of shareholder	Special commitment	Implementation of commitment	Note
Overseas Chinese Town Group Corporation	Committed to pay 35% consideration of share merger reform in advance for the original non-tradable shareholders -- Anhui Tianda Enterprise Group Co., Ltd and THOMSON INVESTMENTS GROUP LIMITED.	Paid	
Anhui Tianda Enterprise Group Co., Ltd. THOMSON INVESTMENTS GROUP LIMITED	Committed that they will repay this part of consideration to Overseas Chinese Town Group Corporation before their applications for the circulation of the A shares of Konka Group they hold	Not circulated yet.	
Overseas Chinese Town Group Corporation Anhui Tianda Enterprise Group Co., Ltd. THOMSON INVESTMENTS GROUP LIMITED	(1) 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 circulation rights. (2) After the expiration of the aforesaid commitment, the total former non-tradable shares of Konka Group sold by the aforesaid three companies through listing at the Stock Exchange shall not exceed 5 percent of the Konka Group's total share number within 12 months, and not exceed 10 percent within 24 months.	No trade or transfer of shares till now	

Except for that, the Company or its shareholders had no other commitments.

3.4 Warnings of possible loss or great change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable

Inapplicable

3.5 Other significant events need to be explained

3.5.1 Securities investment

Applicable

Inapplicable

Variety of securities	Stock code	Short form of stock	Amount of initial investment (Yuan)	Number of shares held (Share)	Book value at the end of period	Proportion in total securities investment at the end of period (%)	Gains and losses in the report period (Note)
A share	600891	ST CHURIN	9,000,000.00	9,350,000.00	9,000,000.00	26.30	0.00
A share	780939	Construction Bank	8,114,100.00	1,258,000.00	8,114,100.00	23.71	0.00
A share	601088	China Shenhua	7,102,080.00	192,000.00	7,102,080.00	20.76	0.00
A share	600030	CITIC Securities	3,399,640.53	45,383.00	3,399,640.53	9.94	0.00
A share	000002	Vanke A	2,311,748.07	73,319.00	2,311,748.07	6.76	0.00
A share	601168	Western Mining	1,145,800.00	85,000.00	1,145,800.00	3.35	0.00
A share	601169	Bank of Beijing	1,025,000.00	82,000.00	1,025,000.00	3.00	0.00
A share	780808	China Oilfield Service	714,440.00	53,000.00	714,440.00	2.09	0.00
A share	600898	Sanlian Commerce	344,760.00	111,540.00	344,760.00	1.01	0.00
A share	601919	China COSCO	322,240.00	38,000.00	322,240.00	0.94	0.00
Other securities investment held at the end of period			736,088.50	-	736,088.50	2.15	0.00
Gains and losses of sold securities investment at the end of report period			-	-	-	-	3,626,667.78
Total			34,215,897.10	-	34,215,897.10	100	3,626,667.78

Note: Gains and losses in the report period refers to influences of this investment on consolidated net profit of the Company in the report period.

3.5.2 Equity of other listed companies held by the Company

Applicable

Inapplicable

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

Applicable

Inapplicable

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

Reception time	Reception place	Reception way	Reception object	Discussion content and materials provided by the Company
Sep. 7, 2007	Meeting room of the Company	Field research	Merchant Securities Co., Ltd.	Status quo and development trend of color television industry and mobile phone industry as well as development strategy of the Company; Particulars about interior

				management of the Company, including management in purchase, accounts receivable and inventories.
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§ 4. Attachment

4.1 Konka Group Co., Ltd. Consolidated income statement

for the period from January to September, 2007

	Jan.–Sep. 2007	Jan.–Sep. 2006
	RMB'000	RMB'000
Turnover	8,492,371	8,606,985
Cost of sales	(6,899,551)	(7,111,449)
Gross profit	1,592,820	1,495,536
Other revenue	7,286	1,253
Distribution costs	(1,191,461)	(1,080,557)
Administrative costs	(322,027)	(346,568)
Operating profit	86,618	69,664
Finance costs	(21,294)	(7,749)
Share of loss from associates	(466)	(501)
Profit before taxation	64,858	61,414
Income tax	(8,459)	(16,229)
Profit for the year	56,399	45,185
Attributable to :		
Equity holders of the parent	57,919	40,680
Share of results of minority interests	(1,520)	4,505
Profit attributable to equity holders of the parent	56,399	45,185
Profit per share to equity holders of the parent - basis	RMB0.096	RMB0.068

Chairman of the Board; Hou Songrong Chief Financial Official: Yang Guobin Organizer: Ruan Renzong

Konka Group Co., Ltd. Consolidated income statement

for the period from July to September, 2007

	Jul.–Sep. 2007	Jul.–Sep. 2006
	RMB'000	RMB'000
Turnover	2,878,265	3,035,354
Cost of sales	(2,291,327)	(2,524,662)
Gross profit	586,938	510,692
Other revenue	3,596	792
Distribution costs	(448,735)	(371,151)
Administrative costs	(119,378)	(119,161)
Operating profit	22,421	21,172

Finance costs	(6,244)	(1,803)
Share of loss from associates	-	-
Profit before taxation	16,177	19,369
Income tax	(1,410)	(5,361)
Profit for the year	14,767	14,008
Attributable to :		
Equity holders of the parent	13,946	9,466
Share of results of minority interests	821	4,542
Profit attributable to equity holders of the parent	14,767	14,008
Profit per share to equity holders of the parent - basis	RMB0.023	RMB0.016

Chairman of the Board; Hou Songrong Chief Financial Official: Yang Guobin Organizer: Ruan Renzong

4.2 Konka Group Co., Ltd. Consolidated balance sheet

as at September 30, 2007

	Sep. 30, 2007	Dec. 31, 2006
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	1,323,602	1,308,162
Land use rights - non-current portion	29,431	26,428
Goodwill	4,840	4,840
Intangible assets	17,921	16,341
Interests in associates	36,224	46,151
Other investments	40,701	15,290
Deferred tax assets	68,741	67,342
	1,521,460	1,484,554
Current assets		
Land use rights - current portion	630	630
Inventories	2,859,074	3,551,897
Properties held for sale	4,172	4,172
Account receivables	953,178	950,048
Prepayments, deposits and other receivables	233,534	276,215
Note receivables	2,251,022	3,144,956
Cash and bank balances	1,577,694	678,240
	7,879,304	8,606,158
Total assets	9,400,764	10,090,712

Chairman of the Board; Hou Songrong Chief Financial Official: Yang Guobin Organizer: Ruan Renzong

Consolidated Balance Sheet(Con.)

as at September 30, 2007

Capital and reserves		
Share capital	601,986	601,986
Reserves	2,770,143	2,771,404
Equity attributable to equity holders of the parent	3,372,129	3,373,390
Minority interests	235,211	243,713
Total equity	3,607,340	3,617,103
Non-current liabilities		
Deferred income	5,247	7,495
Other long-term liabilities	28,078	27,495
	33,325	34,990
Current liabilities		
Tax payable	20,605	10,088
Account payables	917,125	1,217,777
Other payables and accrued expenses	978,258	1,081,080
Note payables	2,960,390	4,114,674
Short-term bank loans	883,721	15,000
	5,760,099	6,438,619
Total liabilities	5,793,424	6,473,609
Total equity and liabilities	9,400,764	10,090,712

Chairman of the Board;Hou Songrong Chief Financial Official: Yang Guobin Organizer:Ruan Renzong

4.3Konka Group Co., Ltd.Consolidated cash flow statement

for the year ended September 30, 2007

	Jan.–Sep. 2007	Jan.–Sep. 2006
	RMB'000	RMB'000
Cash flow from operating activities		
Operating profit before taxation	64,858	61,414
Adjustment items :		
Interest income	(3,993)	(3,851)
Income from government grant	(2,248)	(2,248)
Other payables waived	-	-
Interest expenses	9,929	5,348
Depreciation of property, plant and equipment	95,149	89,439
Loss on disposal of property, plant and equipment	2,149	1,294
Reversal for impairment loss on property, plant and equipment		

Amortization of land use rights	354	315
Impairment loss on goodwill	-	-
Amortization of intangible assets	4,401	4,505
Profit on partial disposal of associates	(490)	-
Share of results from associates	466	490
Reversal for impairment loss on associates	-	-
Provision for inventory obsolescence	10,266	41,190
Inventories written off	-	-
Provision for doubtful debts on account receivables	(1,086)	13,108
Provision for doubtful debts on other receivables	1,267	650
Net operating cash inflow before movements in working capital	181,022	211,654
Exchange reserve movement	(2,615)	(1,490)
(Increase)/decrease in inventories	681,313	(556,036)
Increase in account receivables	(11,323)	(176,518)
Increase in prepayments, deposits and other receivables	41,783	(1,787)
(Increase)/decrease in note receivables	893,934	416,935
Increase/(decrease) in account payables	(300,652)	(276,026)
Increase/(decrease) in other payables and accrued charges	(102,822)	138,991
Increase/(decrease) in note payables	(1,154,284)	440,296
Cash generated from/(absorbed in) operations	226,356	196,019
Interest paid	(9,929)	(5,348)
Corporate and profits tax paid	(9,859)	(13,709)
Net cash inflow/(outflow) from operating activities	206,568	176,962
Investing activities		
Interest received	3,993	3,851
Purchases of property, plant and equipment	(132,720)	(81,226)
Proceeds from disposal of property, plant and equipment	548	1,238
Purchase of intangible assets	-	-
Returns from partial investment in associates	14,158	-
Increase of investment in associates	(1,262)	-
Repayments to associates	-	-
Acquisition of other investments	(322)	(14,507)
Proceeds from disposal/return of other investments	-	24,672
Net cash outflow from investing activities	(115,605)	(65,972)
Financing activities		
Bank loans repaid	868,721	(14,605)
Other long-term liabilities raised	583	28,435
Dividend paid to minority interests	(62,333)	(15,424)
Increase/(decrease) in minority interests	1,520	(4,504)

Net cash outflow from financing activities	808,491	(6,098)
Increase/(decrease) in cash and cash equivalents	899,454	104,892
Cash and cash equivalents as at beginning of the year	678,240	629,160
Cash and cash equivalents as at end of the year	1,577,694	734,052

Chairman of the Board; Hou Songrong Chief Financial Official: Yang Guobin Organizer: Ruan Renzong

4.5 Auditor's report

Auditor's opinion: un-audited

**Board of Directors of
Konka Group Co., Ltd.
Oct. 31, 2007**