

# Shijiazhuang Baoshi Electronic Glass Co., Ltd.

## The First Quarterly Report 2007

### § 1 Important Notes

1.1 The Board of Directors and the directors of the Company hereby warrant that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.

1.2 No director declares inability to warrant or objection to the authenticity, accuracy and completeness of the content of the Quarterly report.

1.3

| Name of director not present | Reason for not attending the meeting | Name of proxy |
|------------------------------|--------------------------------------|---------------|
| Yu Rengang                   | Going on business trip               | Han Zhiguo    |

1.4 The First quarterly financial report of the Company is unaudited.

1.5 Mr. Shang Jianbin, board chairman of the Company, Mr. Song Hongbo, charge of accounting, and Mr. Zhou Yumao, Chief accountant represent and warrant the financial report in this Quarterly report is true and complete.

### § 2 Basic Information

2.1 Key accounting data and financial indicators ( Domestic statement )

Unit : RMB

|   | At the end of the report period    | At the end of the last year | Increase/decrease of the end of report period than that of the end of the last year(%)     |
|---|------------------------------------|-----------------------------|--|
| Total assets  | 434,642,666.90                     | 424,377,887.67              | 2.42%  |
| Owner's equity(or shareholders' interest)                 | 220,887,040.76                     | 220,645,506.92              | 0.11%  |
| Net assets per share                                      | 0.5767                             | 0.5761                      | 0.10%  |
|   | Year begin to end of report period |                             | Increase/decrease of the report period than that of the same period of the last year ( % ) |
| Net cash flow arising from operating activities           | 1,065,590.04                       |                             | -88.74%  |
| Net cash flow arising from operating activities per share | 0.0028                             |                             | -88.66%  |
|   | In the report period               | Year begin to end of        | Increase/decrease of the report period   |

|   |            | report period | than that of the same period of the last year ( % ) |
|---|------------|---------------|---|
| Net profit  | 241,533.84 | 241,533.84    | 100.83%   |
| Basic earnings per share  | 0.0006     | 0.0006        | 100.79%   |
| Diluted earnings per share  | 0.0006     | 0.0006        | 100.79%   |
| Return on Net assets  | 0.11%      | 0.11%         | 5.59%   |
| Return on net assets after deducting non-recurring gains and losses | 0.11%      | 0.11%         | 5.59%   |

Items of non-recurring gains and losses

Unit : RMB

| Items of non-recurring gains and losses | Balance from year-begin to end of report period |
|---|---|
| Non-operating expenses                  | -577.16   |
| Total                                   | -577.16   |

## 2.2 Total number of shareholders in the end of the report period and shares held by the top ten shareholders with unrestricted conditions

Unit : Shares

| Total number of shareholders   | 16,921 shareholders holding A shares and 13,249 shareholders holding B shares. |                                   |
|--|--|-----------------------------------|
| Shares held by the top ten shareholders with unrestricted conditions |  |                                   |
| Name of shareholder  | Amount of unrestricted shares held   | Type of shares                    |
| Shijiazhuang Baoshi Electronic Group Co., Ltd.                       | 19,150,000   | RMB common share                  |
| GUOTAI JUNAN SECURIES HONG KONG LIMITED                              | 2,344,384  | Domestically listed foreign share |
| China Electronic Import and Export Corporation                       | 1,837,010  | RMB common share                  |
| Liu Jiaxuan  | 994,100  | Domestically listed foreign share |
| Hebei Guoxin Investment Holding Group Co., Ltd.                      | 918,505  | RMB common share                  |
| Zhonghua Hebei Company   | 918,505  | RMB common share                  |
| Chen Yongquan  | 885,462  | Domestically listed foreign share |
| Zhu Lei  | 700,000  | RMB common share                  |
| Shanghai Yibaohang Trade Co., Ltd.                                   | 675,008  | RMB common share                  |
| Zhong Qiping   | 587,700  | Domestically listed foreign share |

## § 3 Significant events

### 3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

applicable      not applicable

1. Monetary capital increased due to inflow of cash from operating activities;
2. Bills receivable and accounts receivable increased due to the Company's production and operating activities related to lead glass tube;
3. Payment in advance decreased due to prepayment in previous period and arrival of goods in current period;
4. Accounts payable decreased due to payment of payment accounts;
5. Taxes and levies payable decreased due to overpayment of taxes;
6. Other payables increased due to increase of power cost payable;
7. Net cash flows from operating activities decreased due to decrease of cash received from sales of commodities and provision of

labor services;

8. Net profit increased because the Company suffered investment loss due to the loss of SBEG, an affiliated company of the Company, in the same period of previous year while the Company did not hold any equity of SBEG as a result of asset reorganization in the report period.

### 3.2 Analysis and explanation of significant events and their influence and solutions

applicable      not applicable

### 3.3 Implementations of commitments by the Company, shareholders and actual controller

Applicable      Not applicable

In addition to statutory minimum commitment, the controlling shareholder of the Company Baoshi Group Co. made the following special commitments:

(1) Commitment concerning selling price

If non-negotiable shares held by it are sold through Shenzhen Stock Exchange within 36 months from the date of obtaining the right of negotiation, the selling price shall not be lower than RMB 2.5 per share (In case of dividend distribution, bonus share distribution and capital surplus capitalization, such price shall be treated on ex-right and ex-dividend basis).

If the price of the shares sold through securities exchange within the said term is lower than RMB 2.5 per share, the proceeds of selling shares shall belong to the Company.

(2) To advance the consideration to be paid by shareholders holding non-negotiable shares who have not explicitly agreed to the plan

In order to smoothly carry out this share holding structure reform, Baoshi Group Co. promised to advance the consideration to be paid by the shareholders holding non-negotiable shares who had not explicitly agreed to the plan as of the stock right registration date for the implementation of this plan for share holding structure reform for the obtainment of the right of listing and negotiation of the non-negotiable shares held by such shareholders.

In the report period, Baoshi Group Co., the controlling shareholder of the Company, and other shareholders holding shares subject to sale restriction strictly fulfilled their commitments made in the Company's plan for share holding structure reform.

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

Applicable      Not applicable

According to the preliminary calculation by the Finance Dept. of the Company, The accumulative net profit for the period from the beginning of the year to the end of the next report period may be negative. As compared with the same period of the previous year, the amount of loss is expected to decrease because the Company no longer holds equity of SBEG after asset reorganization.

**3.5 Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on old and New accounting standards, and explanations of reasons.**

Applicable      Not applicable

The deferred income tax asset confirmed in Reconciliation Statement of Shareholders' Equity Difference Caused by Change of Accounting Standards in 2006 annual report is a figure estimated by auditors, which has not been audited by the registered tax agent. The deferred income tax asset in year-beginning shareholders' equity of 2007 in this quarterly report is a figure audited by the registered tax agent.

## § 4 Appendix

### 4.1 Balance sheet

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

March 31, 2007

Unit : RMB

| Items                                      | Amount of period-end |                | Amount of period-begin |                |
|--|----------------------|----------------|------------------------|----------------|
|  | Consolidation        | Parent Company | Consolidation          | Parent Company |
| Current assets :                           |                      |                |                        |                |
| Monetary funds                             | 2,455,395.90         | 1,949,794.51   | 1,781,405.86           | 1,407,545.90   |
| Settlement provisions                      |                      |                |                        |                |
| Capital lent                               |                      |                |                        |                |
| Transaction finance assets                 |                      |                |                        |                |
| Bill receivable                            | 7,155,063.30         | 7,155,063.30   | 5,263,528.80           | 5,263,528.80   |
| Accounts receivable                        | 51,221,054.57        | 51,221,054.57  | 38,727,924.63          | 38,727,924.63  |
| Accounts in advance                        | 876,163.90           | 876,163.90     | 6,759,315.98           | 6,759,315.98   |
| Insurance receivable                       |                      |                |                        |                |
| Reinsurance receivables                    |                      |                |                        |                |
| Contract reserve of reinsurance receivable |                      |                |                        |                |
| Interest receivable                        |                      |                |                        |                |
| Other receivables                          | 93,914,044.08        | 88,171,060.44  | 91,922,235.60          | 86,701,515.96  |
| Purchase restituted finance assets         |                      |                |                        |                |
| Inventory                                  | 28,466,599.76        | 28,274,924.64  | 24,469,376.20          | 24,277,701.08  |
| Non-Current assets within one year         |                      |                |                        |                |
| Other Current assets                       | 58,000,000.00        |                | 58,000,000.00          |                |
| Total currents assets                      | 242,088,321.51       | 177,648,061.36 | 226,923,787.07         | 163,137,532.35 |
| Non-current assets                         |                      |                |                        |                |
| Granted loans and advances                 |                      |                |                        |                |
| Finance assets available sales             |                      |                |                        |                |
| Held-to maturity securities                |                      |                |                        |                |
| Long-term account receivable               |                      |                |                        |                |
| Long-term equity investment                |                      | 44,802,503.37  |                        | 44,802,503.37  |
| Investment property                        |                      |                |                        |                |
| Fixed assets                               | 151,458,475.78       | 116,382,320.31 | 154,912,406.56         | 119,244,793.56 |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Construction in progress                 | 411,041.83     | 411,041.83     | 82,570.83      | 82,570.83      |
| Engineering material                     | 19,036.50      | 19,036.50      | 24,728.50      | 24,728.50      |
| Disposal of fixed assets                 |                |                |                |                |
| Consumable biological assets             |                |                |                |                |
| Oil and gas assets                       |                |                |                |                |
| Intangible assets                        | 13,061,969.13  | 13,061,969.13  | 13,145,572.56  | 13,145,572.56  |
| Expense on research and development      |                |                |                |                |
| Goodwill                                 |                |                |                |                |
| Long-term expenses to be apportioned     | 6,038,271.32   | 6,038,271.32   | 7,723,271.32   | 7,723,271.32   |
| Deferred income tax assets               | 21,565,550.83  | 15,569,275.46  | 21,565,550.83  | 15,569,275.46  |
| Other non-current assets                 |                |                |                |                |
| Total non-current assets                 | 192,554,345.39 | 196,284,417.92 | 197,454,100.60 | 200,592,715.60 |
| Total assets                             | 434,642,666.90 | 373,932,479.28 | 424,377,887.67 | 363,730,247.95 |
| Current liabilities :                    |                |                |                |                |
| Short-term loans                         | 5,381,025.52   |                | 5,381,025.52   |                |
| Loan form central bank                   |                |                |                |                |
| Absorbing deposit and interbank deposit  |                |                |                |                |
| Capital borrowed                         |                |                |                |                |
| Transaction financial liabilities        |                |                |                |                |
| Bill payable                             | 89,999.90      | 50,000.00      | 89,999.90      | 50,000.00      |
| Accounts payable                         | 15,441,016.05  | 13,009,062.54  | 23,184,431.15  | 20,752,477.64  |
| Accounts received in advance             | 1,250,590.82   | 1,250,590.82   | 1,264,012.82   | 1,264,012.82   |
| Selling financial assets of repurchase   |                |                |                |                |
| Commission charge and commission payable |                |                |                |                |
| Wage payable                             | 7,210,415.60   | 6,684,349.96   | 7,929,469.92   | 7,403,404.28   |
| Taxes payable                            | -1,531,520.71  | -104,857.11    | -219,218.35    | -1,070,184.75  |
| Interest payable                         | 38,878,796.42  |                | 38,699,516.42  |                |
| Other accounts payable                   | 58,693,032.09  | 131,822,480.49 | 38,983,889.97  | 114,685,031.04 |
| Reinsurance payables                     |                |                |                |                |
| Insurance contract reserve               |                |                |                |                |
| Security trading of agency               |                |                |                |                |
| Security sales of agency                 |                |                |                |                |
| Long-term liabilities due within1 year   |                |                |                |                |
| Other current liabilities                | 78,087,000.00  | 0.00           | 78,087,000.00  | 0.00           |
| Total current liabilities                | 203,500,355.69 | 152,711,626.70 | 193,400,127.35 | 143,084,741.03 |
| Non-current liabilities :                |                |                |                |                |
| Long-term loans                          |                |                |                |                |
| Bonds payable                            |                |                |                |                |
| Long-term accounts payable               |                |                |                |                |
| Special accounts payable                 |                |                |                |                |
| Projected liabilities                    |                |                |                |                |
| Deferred income tax liabilities          |                |                |                |                |

|   |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|
| Other non-current liabilities                       |                 |                 |                 |                 |
| Total non-current liabilities                       |                 |                 |                 |                 |
| Total liabilities                                   | 203,500,355.69  | 152,711,626.70  | 193,400,127.35  | 143,084,741.03  |
| Owner's equity(or shareholder's equity) :           |                 |                 |                 |                 |
| Share capital                                       | 383,000,000.00  | 383,000,000.00  | 383,000,000.00  | 383,000,000.00  |
| Capital public reserve                              | 550,253,744.43  | 550,253,744.43  | 550,253,744.43  | 550,253,744.43  |
| Less : Inventory shares                             |                 |                 |                 |                 |
| Surplus public reserve                              | 27,454,788.05   | 27,454,788.05   | 27,454,788.05   | 27,454,788.05   |
| Provision of general risk                           |                 |                 |                 |                 |
| Retained profit                                     | -739,821,491.72 | -739,487,679.90 | -740,063,025.56 | -740,063,025.56 |
| Balance difference of foreign currency translation  |                 |                 |                 |                 |
| Total owner's equity attributable to parent company | 220,887,040.76  | 221,220,852.58  | 220,645,506.92  | 220,645,506.92  |
| Minority interests                                  | 10,255,270.45   |                 | 10,332,253.40   |                 |
| Total owner's equity                                | 231,142,311.21  | 221,220,852.58  | 230,977,760.32  | 220,645,506.92  |
| Total liabilities and owner's equity                | 434,642,666.90  | 373,932,479.28  | 424,377,887.67  | 363,730,247.95  |

#### 4.2 Profit statement

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January –March 2007

Unit : RMB

| Items  | This period   |                | Same period of last year |                |
|--|---------------|----------------|--------------------------|----------------|
|  | Consolidation | Parent Company | Consolidation            | Parent Company |
| I. Total operating income                              | 59,867,754.38 | 59,065,122.38  | 63,770,039.36            | 62,972,836.08  |
| Including : Operating income                           | 59,867,754.38 | 59,065,122.38  | 63,770,039.36            | 62,972,836.08  |
| Interest income  |               |                |                          |                |
| Insurance gained                                       |               |                |                          |                |
| Commission charge and commission income                |               |                |                          |                |
| II. Total operating cost                               | 59,702,626.32 | 58,489,199.56  | 63,972,848.49            | 59,247,727.85  |
| Including : operating cost                             | 52,788,578.20 | 52,647,716.28  | 50,183,586.28            | 50,183,586.28  |
| Interest expense                                       |               |                |                          |                |
| Commission charge and commission expense               |               |                |                          |                |
| Cash surrender value                                   |               |                |                          |                |
| Net amount of expense of compensation                  |               |                |                          |                |
| Net amount of withdrawal of insurance contract reserve |               |                |                          |                |
| Bonus expense of guarantee slip                        |               |                |                          |                |
| Reinsurance expense                                    |               |                |                          |                |
| Operating tax and extras                               | 358,385.88    | 358,385.88     | 270,890.43               | 270,890.43     |
| Sales expenses   | 134,419.89    | 134,419.89     | 221,668.66               | 221,668.66     |
| Administration expenses                                | 6,170,678.58  | 5,277,390.16   | 8,598,690.94             | 7,866,942.09   |
| Financial expenses                                     | 250,563.77    | 71,287.35      | 4,698,012.18             | 704,640.39     |
| Losses of devaluation of assets                        |               |                |                          |                |

|  |            |            |                |                |
|--|------------|------------|----------------|----------------|
| Add : changing income of fair value                                  |            |            |                |                |
| Investment income  |            |            | -36,552,716.40 | -32,881,920.98 |
| Including :Investment income on affiliated company and joint venture |            |            |                |                |
| Exchange income  |            |            |                |                |
| III. Operating profit  | 165,128.06 | 575,922.82 | -36,755,525.53 | -29,156,812.75 |
| Add : non-operating income   |            |            |                |                |
| Less : non-operating expense   | 577.16     | 577.16     | -25.80         | 15,531.69      |
| Including : disposal loss of non-current assets                      |            |            | -25.80         |                |
| IV. Total profit   | 164,550.90 | 575,345.66 | -36,755,499.73 | -29,172,344.44 |
| Less : expense of income tax   |            |            |                |                |
| V. Net profit  | 164,550.90 | 575,345.66 | -36,755,499.73 | -29,172,344.44 |
| Net profit attributable to owner's equity of parent company          | 241,533.84 |            | -29,172,344.44 |                |
| Minority shareholders' gains and losses                              | -76,982.94 |            | -7,583,155.29  |                |
| VI. Earnings per share   |            |            |                |                |
| ( i ) basic earnings per share                                       | 0.0006     | 0.0006     | -0.076         | -0.076         |
| ( ii ) Diluted earnings per share                                    | 0.0006     | 0.0006     | -0.076         | -0.076         |

### 4.3 Cash Flow Statement

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd. January –March 2007 Unit : RMB

| Items   | This period   |                | Same period of last year |                |
|---|---------------|----------------|--------------------------|----------------|
|   | Consolidation | Parent Company | Consolidation            | Parent Company |
| I. Cash flows arising form operating activities:                    |               |                |                          |                |
| Cash received from selling commodities and providing labor services | 8,227,600.98  | 8,227,600.98   | 73,048,320.13            | 66,569,666.03  |
| Net increase of customer deposit and interbank deposit              |               |                |                          |                |
| Net increase of loan form central bank                              |               |                |                          |                |
| Net increase of capital borrowed from other financial institution   |               |                |                          |                |
| Cash received from original insurance contract fee                  |               |                |                          |                |
| Net cash received from reinsurance business                         |               |                |                          |                |
| Insured savings and net increase of investment                      |               |                |                          |                |
| Net increase of disposal of transaction financial assets            |               |                |                          |                |
| Cash received form interest, commission charge and commission       |               |                |                          |                |

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Net increase of capital borrowed   |               |               |               |               |
| Net increase of returned business capital  |               |               |               |               |
| Write-back of tax received   |               |               |               |               |
| Other cash received concerning operating activities                              | 20,661,815.24 | 20,185,501.96 | 1,806,697.21  | 238,023.92    |
| Subtotal of cash inflow  | 28,889,416.22 | 28,413,102.94 | 74,855,017.34 | 66,807,689.95 |
| Cash paid for purchasing commodities and receiving labor service                 | 4,934,016.78  | 4,930,816.78  | 53,108,624.96 | 52,323,800.02 |
| Net increase of customer loans and advances                                      |               |               |               |               |
| Net increase of deposits in central bank and interbank                           |               |               |               |               |
| Cash paid for original insurance contract compensation                           |               |               |               |               |
| Cash paid for interest, commission charge and commission                         |               |               |               |               |
| Cash paid for bonus of guarantee slip  |               |               |               |               |
| Cash paid to/for staff and worker  | 3,155,851.83  | 3,155,851.83  | 3,541,854.74  | 3,397,333.44  |
| Taxes paid   | 3,266,651.27  | 3,053,952.37  | 1,745,463.81  | 1,079,289.81  |
| Other cash paid concerning operating activities                                  | 16,467,306.30 | 16,338,633.35 | 6,991,751.98  | 1,068,222.18  |
| Subtotal of cash outflow   | 27,823,826.18 | 27,479,254.33 | 65,387,695.49 | 57,868,645.45 |
| Net cash flows arising form operating activities                                 | 1,065,590.04  | 933,848.61    | 9,467,321.85  | 8,939,044.50  |
| II. Cash flows arising form investing activities                                 |               |               |               |               |
| Cash received form recovering investment   |               |               |               |               |
| Cash received form investment income   |               |               |               |               |
| Net cash received form disposal of fixed , intangible and other long-term assets |               |               | 14,340.00     | 14,340.00     |
| Net cash received from disposal of subsidiaries and other units                  |               |               |               |               |
| Other cash received concerning investing activities                              |               |               |               |               |
| Subtotal of sash inflow  |               |               | 14,340.00     | 14,340.00     |
| Cash paid for purchasing fixed, intangible and other long-term assets            | 391,600.00    | 391,600.00    | 2,518,485.40  | 2,518,485.40  |
| Cash paid for investment   |               |               |               |               |
| Net increase of mortgaged loans  |               |               |               |               |
| Net cash received from subsidiaries and other units                              |               |               |               |               |
| Other cash paid concerning investing activities                                  |               |               |               |               |

|  |              |              |               |               |
|--|--------------|--------------|---------------|---------------|
| Subtotal of cash outflow   | 391,600.00   | 391,600.00   | 2,518,485.40  | 2,518,485.40  |
| Net cash flows arising from investing activities   | -391,600.00  | -391,600.00  | -2,504,145.40 | -2,504,145.40 |
| III. Cash flows arising from financing activities  |              |              |               |               |
| Cash received from absorbing investment  |              |              |               |               |
| including : Cash received from absorbing minority shareholders' investment by subsidiaries |              |              |               |               |
| Cash received from loans   |              |              |               |               |
| Cash received from issuing bonds   |              |              |               |               |
| Other cash received concerning financing activities  |              |              |               |               |
| Subtotal of cash inflow  |              |              |               |               |
| Cash paid form settling debts  |              |              |               |               |
| Cash paid for dividend and profit distributing or interest paying                          |              |              |               |               |
| including :Dividend and profit of minority shareholder paid by subsidiaries                |              |              |               |               |
| Other cash paid concerning financing activities  |              |              |               |               |
| Subtotal of cash outflow   |              |              |               |               |
| Net cash flows arising from financing activities   |              |              |               |               |
| IV. Influence on cash due to fluctuation in exchange rate                                  |              |              |               |               |
| V.Net increase of cash and cash equivalents  | 673,990.04   | 542,248.61   | 6,963,176.45  | 6,434,899.10  |
| Add :Balance of cash and cash equivalents at the period -begin                             | 1,781,405.86 | 1,407,545.90 | 34,876,544.65 | 31,290,984.90 |
| VI. balance of cash and cash equivalents at the period-end.                                | 2,455,395.90 | 1,949,794.51 | 41,839,721.10 | 37,725,884.00 |

#### 4.4 Auditor' report

Auditor's opinions : Unaudited