

# Shijiazhuang Baoshi Electronic Glass Co., Ltd.

## The Third Quarterly Report 2007(Full text)

### § 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 All directors attended the meeting.
- 1.4 The Third Quarterly Report is not audited by CPA.
- 1.5 Mr. Shang Jianbin, board chairman of the Company, Mr. Song Hongbo ,General manager 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	439,702,475.30	424,377,887.67	3.61%
Owner's equity(or shareholders' interest)	224,292,301.25	220,645,506.92	1.65%
Net assets per share	0.59	0.58	1.72%
	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	363,032.18		101.34%
Net cash flow arising from operating activities per share	0.00095		101.34%
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year (%)

Net profit	2,240,120.85	3,646,794.33	108.69%
Basic earnings per share	0.00585	0.00952	108.69%
Basic earning per share after deducting of non-recurring gains/losses	-	0.0105	-
Diluted earnings per share	0.00585	0.00952	108.69%
Return on Net assets	1.00%	1.63%	107.24%
Return on net assets after deducting non-recurring gains and losses	1.02%	1.79%	107.42%

## 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
Disposal of fixed assets	-370,426.93
Fine expenditure	-5,989.60
Total	-376,416.53

## 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	21,946(including 11,704 of A-share holders, and 9,792 of B-share holders)	
Shares held by the top ten shareholders with unrestricted conditions		
Name of shareholder	Amount of unrestricted shares held	Type of shares
China merchants securities(HK) Co., Ltd.	9,917,671	Domestically listed foreign share
Shanghai Xuewen Industry Co., Ltd.	6,662,018	RMB common share
Shijiazhuang Baoshi Electronic Group Co., Ltd.	5,690,000	RMB common share
GUOTAI JUNAN SECURIES HONG KONG LIMITED	3,045,784	Domestically listed foreign share
KGI ASIA LIMITED	1,650,000	Domestically listed foreign share
Qin Yuyan	1,210,710	Domestically listed foreign share
Hebei Xindu Trade Co., Ltd.	930,674	RMB common share
Zhu Zhengquan	909,758	RMB common share
Chen Yongquan	885,462	Domestically listed foreign share
Ma Jing	861,412	RMB common 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. Accounts receivable increased by 45.43% as compared with beginning balance because of payment for goods receivable by the Component and Mould Factory from SBEG;
2. Inventories increased by 37.57% as compared with beginning balance because the Company's Glass Tube Factory was put into production in November of last year and inventories increased after normal production this year;
3. Construction in progress increased by 566.80% as compared with beginning balance because the reconstruction of Glass Tube Factory and Component Factory of the Company;
4. Engineering materials decreased by 94.66% as compared with beginning balance because the requisition by the

project of Component Factory of the Company;

5. Administrative expenses decreased by 30% year on year because cost was high due to share holding structure reform and reorganization in the same period of the previous year and the Company cut down expenditure, squeezed cost and reduced expenses this year;

6. Financial expenses decreased by 92.77% year on year because the Company carried out asset reorganization to set off the money owing to Baoshi Group Co. with equity of SBEG in December 2006 and thus no provision for asset occupancy expenses was made in current period;

7. Asset impairment loss decreased by 100% year on year because part of accounts receivable of the Company's Component Factory were recovered and the provision for bad debts originally made was written back.

8. Investment income increased by 100% year on year because the Company carried out asset reorganization to set off the money owing to Baoshi Group Co. with equity of SBEG in December 2006 and thus did not bear investment losses in current period;

9. Non-operating expenses increased by 107.64% year on year due to the Company's disposal of fixed assets in current period;

10. Operating profit, total profit and net profit increased by 103.86%, 103.45% and 103.45% respectively year on year mainly because the Company carried out asset reorganization to set off the money owing to Baoshi Group Co. with equity of SBEG in December 2006 and thus reduced investment losses and financial expenses;

11. Other cash received relating to operating activities decreased by 68.06% year on year due to decrease of the Company's non-operating income;

12. Other cash payment relating to operating activities decreased by 81.42% year on year because the Company cut down expenditure, squeezed cost and reduced expenses;

13. Net cash flows from operating activities increased by 101.34% year on year due to decrease of the Company's expenditure;

14. Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets increased by 75.73% year on year due to slight increase of disposal of long-term assets;

15. Cash paid for the acquisition or construction of fixed assets, intangible assets and other long-term assets i decreased by 93.31% year on year because the Company Glass Tube Factory was under technical renovation and overhaul in the same period of the previous year and much investment was put into this project;

16. Net increase in cash and cash equivalents increased by 99.57% year on year mainly because much investment was put into the Company Glass Tube Factory in the same period of the previous year and the Company cut down expenditure, squeezed cost and reduced expenses;

17. Net cash flows from operating activities per share increased by 101.34% year on year mainly due to decrease of the Company's expenditure;

18. Basic earnings per share, diluted earnings per share, return on net assets and return on net assets after deduction of non-operating gains and losses increased by 108.69%, 108.69%, 107.24% and 107.42% respectively year on year because the Company carried out asset reorganization to set off the money owing to Baoshi Group Co. with equity of SBEG in December 2006 and thus reduced investment losses and financial expenses.

### 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 calculation by the financial department of the Company, the Company is expected to turn losses into profits in 2007. The estimated net profit is about RMB 5.5 million.

Reasons for change in earnings

(1) The Company assigned 49% equity of Shijiazhuang Baoshi Electric Glass Co., Ltd., an affiliated company, to Baoshi Group Co. in November 2006. The Company no longer bore investment losses.

(2) The Company's L-35 glass tube furnace was put into production again in November 2006. It generated profit in the report period.

(3) The Company took the measures including quickening product structure adjustment, strengthening marketing, saving energy, reducing consumption and cost and obtained certain result.

**3.5 Major events needs to be explained****3.5.1 Investment in securities**

applicable     not applicable

**3.5.2 Holding of shares in other listed companies**

Applicable     Not applicable

**3.5.3 Holding of equities in non-listed financial entities and companies about to be listed**

Applicable     Not applicable

**3.5.4 Reception of investigations, communications, or interviews**

**In the report period, there were no spot research, telephone communication and written enquiry received from investors.**

**§ 4 Appendix****4.1 Balance sheet**

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

September 30,2007

Unit: RMB

Items	Amount of period-end		Amount of period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	1,631,182.78	1,309,319.35	1,781,405.86	1,407,545.90
Settlement provisions				
Capital lent				
Transaction finance assets				
Bill receivable	3,958,435.85	3,958,435.85	5,263,528.80	5,263,528.80
Accounts receivable	56,322,424.69	56,322,424.69	38,727,924.63	38,727,924.63
Accounts in advance	6,963,623.44	6,963,623.44	6,759,315.98	6,759,315.98
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	94,490,540.38	88,881,475.25	91,922,235.60	86,701,515.96
Purchase restituted finance assets				
Inventory	33,663,136.50	33,471,461.38	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	255,029,343.64	190,906,739.96	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	143,622,640.66	109,763,695.95	154,912,406.56	119,244,793.56
Construction in progress	550,586.08	550,586.08	82,570.83	82,570.83
Engineering material	1,320.50	1,320.50	24,728.50	24,728.50
Disposal of fixed assets				
Consumable biological assets				
Oil and gas assets				
Intangible assets	12,894,762.27	12,894,762.27	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	184,673,131.66	189,620,414.95	197,454,100.60	200,592,715.60
Total assets	439,702,475.30	380,527,154.91	424,377,887.67	363,730,247.95
Current liabilities:				
Short-term loans	5,381,025.52		5,381,025.52	0.00
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	25,234,544.48	22,802,590.97	23,184,431.15	20,752,477.64
Accounts received in advance	1,325,524.25	1,325,524.25	1,264,012.82	1,264,012.82
Selling financial assets of repurchase				
Commission charge and commission payable				
Wage payable	5,916,919.34	5,390,853.70	7,929,469.92	7,403,404.28
Taxes payable	-1,854,602.44	-287,076.92	-2,590,911.01	-1,070,184.75
Interest payable	39,237,356.42		38,699,516.42	
Other accounts payable	52,116,795.81	124,972,877.40	41,355,582.63	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		78,087,000.00	
Total current liabilities	205,534,563.28	154,254,769.40	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	205,534,563.28	154,254,769.40	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	-736,416,231.23	-734,436,146.97	-740,063,025.56	-740,063,025.56
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	224,292,301.25	226,272,385.51	220,645,506.92	220,645,506.92
Minority interests	9,875,610.77		10,332,253.40	
Total owner's equity	234,167,912.02	226,272,385.51	230,977,760.32	220,645,506.92
Total liabilities and owner's equity	439,702,475.30	380,527,154.91	424,377,887.67	363,730,247.95

#### 4.2 Profit statement of the report term

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

July –September 2007

Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	56,120,891.38	56,120,891.38	52,530,731.99	52,770,512.19
Including: Operating income	56,120,891.38	56,120,891.00	52,530,731.99	52,770,512.19
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	54,015,417.49	53,067,899.78	60,216,185.58	55,490,715.52
Including: operating cost	47,627,282.66	47,627,282.66	45,759,262.10	45,959,262.10
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	289,261.25	289,261.25	208,910.17	472,297.68
Sales expenses	211,790.96	211,790.96	105,977.41	105,977.41
Administration expenses	5,881,439.96	5,113,024.44	9,199,830.71	8,272,186.84
Financial expenses	418,642.66	239,540.47	4,942,205.19	680,991.49
Losses of devaluation of assets	-413,000.00	-413,000.00		
Add: changing income of fair value				
Investment income			-23,276,486.72	
Including: Investment income on affiliated company and joint venture				
Exchange income				
III. Operating profit	2,105,473.89	3,052,991.60	-30,961,940.31	-2,720,203.33
Add: non-operating income				
Less: non-operating expense	42,917.86	42,917.86	113,577.44	113,577.44
Including: disposal loss of non-current assets				
IV. Total profit	2,062,556.03	3,010,073.74	-31,075,517.75	-2,833,780.77
Less: expense of income tax				
V. Net profit	2,062,556.03	3,010,073.74	-31,075,517.75	-2,833,780.77
Net profit attributable to owner's equity of parent company	2,240,120.85		-25,783,016.25	
Minority shareholders' gains and losses	-177,564.82		-5,292,501.50	
VI. Earnings per share				
(i) basic earnings per share	0.01	0.01	-0.07	-0.07
(ii) Diluted earnings per share	0.01	0.01	-0.07	-0.07

#### 4.3 Profit statement form the beginning of year to the end of report term

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January –September 2007

Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	166,871,247.19	166,068,615.19	155,903,514.41	154,123,826.19
Including: Operating income	166,871,247.19	166,068,615.19	155,903,514.41	154,123,826.19
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	163,304,678.95	160,368,514.16	172,775,393.78	158,628,618.12
Including: operating cost	143,932,283.37	143,791,421.45	132,656,145.05	132,656,146.05
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	877,792.39	877,792.39	807,725.64	807,725.64
Sales expenses	469,921.47	469,921.47	502,248.24	502,248.24
Administration expenses	17,431,576.71	15,173,720.04	24,902,279.91	22,626,576.96
Financial expenses	1,006,105.01	468,658.81	13,906,994.94	2,035,923.23
Losses of devaluation of assets	-413,000.00	-413,000.00		
Add: changing income of fair value				
Investment income			-75,513,125.22	
Including: Investment income on affiliated company and joint venture				
Exchange income				
III. Operating profit	3,566,568.24	5,700,101.03	-92,385,004.59	-4,504,791.93
Add: non-operating income				
Less: non-operating expense	376,416.53	73,222.44	181,283.01	150,917.14
Including: disposal loss of non-current assets				
IV. Total profit	3,190,151.71	5,626,878.59	-92,566,287.60	-4,655,709.07
Less: expense of income tax				
V. Net profit	3,190,151.71	5,626,878.59	-92,566,287.60	-4,655,709.07
Net profit attributable to owner's equity of parent company	3,646,794.33		-76,091,845.20	
Minority shareholders' gains and losses	-456,642.62		-16,474,422.40	
VI. Earnings per share				
(i) basic earnings per share	0.00952	0.01496	-0.19867	-0.01216
(ii) Diluted earnings per share	0.00952	0.01496	-0.19867	-0.01216

#### 4.4. Cash flow statement from the beginning of year to the end of report term

Prepared by Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January –September 2007

Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	156,388,735.69	156,388,735.69	155,963,808.83	143,097,882.94
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	1,939,800.82	1,322,777.32	6,073,249.15	1,429,305.18
Subtotal of cash inflow	158,328,536.51	157,711,513.01	162,037,057.98	144,527,188.12
Cash paid for purchasing commodities and receiving labor service	137,056,147.37	137,052,947.37	152,693,983.29	151,006,761.58
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	8,113,215.80	8,113,215.80	9,688,002.12	9,480,786.32
Taxes paid	9,182,679.38	8,646,839.30	7,385,219.27	6,363,783.33
Other cash paid concerning operating activities	3,613,461.78	3,483,481.83	19,446,367.72	3,187,204.13
Subtotal of cash outflow	157,965,504.33	157,296,484.30	189,213,572.40	170,038,535.36
Net cash flows arising form operating activities	363,032.18	415,028.71	-27,176,514.42	-25,511,347.24
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	25,200.00	25,200.00	14,340.00	14,340.00

Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow	25,200.00	25,200.00	14,340.00	14,340.00
Cash paid for purchasing fixed, intangible and other long-term assets	538,455.26	538,455.26	8,049,002.40	8,035,265.40
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	538,455.26	538,455.26	8,049,002.40	8,035,265.40
Net cash flows arising from investing activities	-513,255.26	-513,255.26	-8,034,662.40	-8,020,925.40
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	-150,223.08	-98,226.55	-35,211,176.82	-33,532,272.64
Add: Balance of cash and cash equivalents at the period -begin	1,781,405.86	1,407,545.90	36,495,355.65	34,409,795.90
VI. balance of cash and cash equivalents at the period-end.	1,631,182.78	1,309,319.35	1,284,178.83	877,523.26

#### **4.5 Auditor' report**

Auditor's opinions: Not audited