

Shijiazhuang Baoshi Electronic Glass Co., Ltd.

2007 semi-annual Financial Statements

Balance Sheet

Profit Statement

Cash Flow Statement

Statement on changes of owners' equity

Notes to Financial Statements

Supplement information

Balance Sheet

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

June 30, 2007

Unit : RMB

Items	Line	June 30,2007		December 31,2006	
		Consolidation	Parent company	Consolidation	Parent company
Current asset :					
Monetary fund	1	3,857,509.59	3,500,428.80	1,781,405.86	1,407,545.90
Trading financial assets		-	-	-	-
Bills receivable	2	5,175,533.16	5,175,533.16	5,263,528.80	5,263,528.80
Account receivable	3	57,283,842.46	57,283,842.46	38,727,924.63	38,727,924.63
Prepaid fund	4	4,378,450.80	4,378,450.80	6,759,315.98	6,759,315.98
Interest receivable		-	-	-	-
Dividend receivable		-	-	-	-
Other receivable	5	91,101,079.82	85,352,014.69	91,922,235.60	86,701,515.96
Inventories	6	34,044,404.84	33,852,729.72	24,469,376.20	24,277,701.08
Non-current asset due in 1 year		-	-	-	-
Other current assets	18	58,000,000.00	-	58,000,000.00	-
Total of current asset		253,840,820.67	189,542,999.63	226,923,787.07	163,137,532.35
Non-current assets :					
Disposable financial asset					
Expired investment in possess					
Long-term receivable					
Long-term share equity investment		-	44,802,503.37	-	44,802,503.37
Property investment					
Fixed assets	7	147,337,507.67	112,885,542.61	154,912,406.56	119,244,793.56
Construction in progress	8	425,713.08	425,713.08	82,570.83	82,570.83
Engineering material		1,720.50	1,720.50	24,728.50	24,728.50
Fixed asset disposal		42,817.86	42,817.86	-	-
Production physical assets					
Gas & petrol					
Intangible assets	9	12,978,365.70	12,978,365.70	13,145,572.56	13,145,572.56
R & D expense					
Goodwill					
Long-term expenses to be amortized	10	6,038,271.32	6,038,271.32	7,723,271.32	7,723,271.32
Differed income tax asset	11	21,565,550.83	15,569,275.46	21,565,550.83	15,569,275.46
Other non-current asset		-	-	-	-
Total of non-current asset		188,389,946.96	192,744,209.90	197,454,100.60	200,592,715.60

Total of assets		442,230,767.63	382,287,209.53	424,377,887.67	363,730,247.95
------------------------	--	----------------	----------------	----------------	----------------

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Balance sheet (Con.)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

June 30, 2007

Unit : RMB

Items	Line	June 30, 2007		December 31, 2006	
		Consolidation	Parent company	Consolidation	Parent company
Current liabilities					
Short-term loans	12	5,381,025.52	-	5,381,025.52	-
Trade off financial liabilities					
Bills payable	13	89,999.90	50,000.00	89,999.90	50,000.00
Account payable	14	29,139,423.22	26,707,469.71	23,184,431.15	20,752,477.64
Prepayment received	14	1,269,751.99	1,269,751.99	1,264,012.82	1,264,012.82
Employees' wage payable	15	6,533,680.29	6,007,614.65	7,929,469.92	7,403,404.28
Tax payable	16	-1,411,045.25	156,480.27	-2,590,911.01	-1,070,184.75
Interest payable	17	39,058,076.42	-	38,699,516.42	-
Dividend payable					
Other payable	14	51,977,499.55	124,833,581.14	41,355,582.63	114,685,031.04
Non-current liability due in 1 year		-	-	-	-
Other current liability	18	78,087,000.00	-	78,087,000.00	-
Total current liability		210,125,411.64	159,024,897.76	193,400,127.35	143,084,741.03
Non-current liabilities					
Long-term loans		-	-	-	-
Bond payable		-	-	-	-
Long-term payable		-	-	-	-
Special payable		-	-	-	-
Expected liabilities					
Differed income tax liability					
Other non-current liabilities		-	-	-	-
Total non-current liabilities					
Total liabilities		210,125,411.64	159,024,897.76	193,400,127.35	143,084,741.03

Owners' equity :					
Share capital	19	383,000,000.00	383,000,000.00	383,000,000.00	383,000,000.00
Capital reserves	20	550,253,744.43	550,253,744.43	550,253,744.43	550,253,744.43
Less : Shares in stock					
Surplus reserves	21	27,454,788.05	27,454,788.05	27,454,788.05	27,454,788.05
Attributable profit	22	-738,656,352.08	-737,446,220.71	-740,063,025.56	-740,063,025.56
Total of owner's equity belong to the parent company		222,052,180.40		220,645,506.92	
Minor shareholders' equity		10,053,175.59		10,332,253.40	
Total of owners' equity		232,105,355.99	223,262,311.77	230,977,760.32	220,645,506.92
Total of liabilities and owners' equity		442,230,767.63	382,287,209.53	424,377,887.67	363,730,247.95

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Profit statement

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January-June 2007

Unit : RMB

Item	Line	January-June 2007		January-June 2006	
		Consolidation	Parent company	Consolidation	Parent company
I. Business income	23	110,750,355.81	109,947,723.81	103,109,394.91	101,353,314.00
Less: Business cost	23	96,305,000.71	96,164,138.79	86,896,882.95	86,696,882.95
Business tax and Surcharge	24	588,531.14	588,531.14	335,427.96	335,427.96
Sales expenses		258,130.51	258,130.51	396,270.83	396,270.83
Administrative expenses		11,550,136.75	10,060,695.60	15,702,449.20	14,354,389.12
Financial expenses	25	587,462.35	229,118.34	8,964,789.75	1,354,931.74
Losses from impairment of assets		-	-	-	-
Add: income from the change of fair value		-	-	-	-
Investment income		-	-	-52,236,638.50	-
Including : Income from the investment in joint ventures		-	-	-	-
II. Operating profit		1,461,094.35	2,647,109.43	-61,423,064.28	-1,784,588.60
Add : Non-operating income		-	-	-	-
Less : Non-operating expense		333,498.67	30,304.58	67,705.57	37,339.70
Including : losses from disposal of non-current assets		-	-	-	-
III. Total profit		1,127,595.68	2,616,804.85	-61,490,769.85	-1,821,928.30

Less : Income tax expenses		-	-	-	-
IV. Net profit		1,127,595.68	2,616,804.85	-61,490,769.85	-1,821,928.30
Net profit subject to the owners of the parent		1,406,673.48	-	-50,308,828.95	-
Losses and income of minority shareholders		-279,077.80		-11,181,940.90	
V. Earnings per share					
(i) Basic earnings per share		0.0037	0.0068	-0.1313	-0.0048
(ii) Diluted earnings per share		0.0037	0.0068	-0.1313	-0.0048

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Statement of Net profit difference adjustment

Unit: RMB

Item	Amount
Net profit during January 1, 2006-June 30, 2006 (Original accounting policy)	-50,308,828.95
Add : Total influence amount due to retrospective reconciliation items	
Including : Operating cost	
Sales expense	
Administrative expense	
Income from change in fair value	
Investment income	
Income tax	
Other	
Less : Total influence amount on minority interests due to retrospective reconciliation items	
Owner's net profit attributed to the parent company from Jan 1, 2006—June 30, 2006 (New accounting standard)	-50,308,828.95
Reference suppose the Company performed new accounting standard overall)	
I. Add : Total influence amount due to other items	
Including : Development expense	
Profits and losses from debts reorganization	
Profits and losses from non-monetary asset exchange	
Investment income	
Income tax	
Other	
II. Add: Total influence amount on minority interests due to retrospective reconciliation items	
III. Add : Gains and losses of minority shareholder listed into the former financial statement of interim report	
Analog net profit (Jan 1, 2006—June 30, 2006)	-50,308,828.95

Statement of profit Statement adjustment items
(January 1,2007-June 30,2007) Unit : RMB

Item	Before adjustment	After adjustment
Operating cost	86,896,882.95	86,896,882.95
Sales expense	396,270.83	396,270.83
Administrative expense	15,702,449.20	15,702,449.20
Income form change in fair value	0.00	0.00
Investment income	-52,236,638.50	-52,236,638.50
Net profit	-50,308,828.95	-50,308,828.95

Cash flow statement

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.
January-June 2007 Unit : RMB

Item	Line	January-June 2007		January-June 2006	
		Consolidation	Parent company	Consolidation	Parent company
I.Cash flows from operating activities					
Cash received from sales of goods or rendering of services		100,346,141	100,346,141	124,933,762	113,661,112
Refunded expenses of taxation received		-	-		
Other cash receipts related to operating activities		1,750,596	1,273,770	5,220,673	789,587
Subtotal of cash inflows		102,096,736	101,619,911	130,154,435	114,450,699
Cash paid for purchasing commodities and accepting labor services		86,926,629	86,923,429	102,397,328	101,075,978
Cash paid to and for staff and workers		5,539,496	5,539,496	6,955,564	6,748,349
Taxation and fees paid		5,209,074	4,848,629	2,139,781	1,284,577
Other cash payments related to operating activities		1,993,417	1,863,457	15,536,709	2,519,884
Subtotal of cash outflow		99,668,616	99,175,011	127,029,382	111,628,788
Net cash flow from operating activities		2,428,121	2,444,900	3,125,053	2,821,911
II.Cash flow from investing activities					
Cash received from investment recovery		-	-		
Cash received from obtaining investment income		-	-		
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		25,200	25,200	14,340	14,340
Cash receipts from the disposal of the subsidiary					
Other cash receipts relating to investment activities		-	-	-	-
Subtotal of cash inflows		25,200	25,200	14,340	14,340
cash paid for constructing or purchasing fixed assets, intangible assets and other long-term assets		377,217	377,217	8,035,265	8,035,265

Cash paid for investment		-	-		
Cash receipts from the acquire of the subsidiary					
Other cash payment related to investing activities		-	-		
Subtotal of cash outflow		377,217	377,217	8,035,265	8,035,265
Net cash flow from investing activities		-352,017	-352,017	-8,020,925	-8,020,925
III. Net cash flow from financing activities:					
Cash received from absorption of investment		-	-		
Cash received from loans		-	-		
Other cash receipts from financing activities		-	-		
Subtotal of cash inflow		-	-		
Cash paid for debt repayment		-	-		
Cash payment for distribution of dividends or profit and for interest expenses		-	-		
Other cash payments relating to financing activities		-	-		
Sub-total of cash outflows		-	-		
Net cash flows from financing activities		-	-		
IV.Effect Of foreign exchange rate changes on cash		-	-		
V.Net increase in cash and cash equivalents		2,076,104	2,092,883	-4,895,872	-5,199,014
Add : Beginning balance of cash and cashequivalents		1,781,406	1,407,546	36,495,355	34,409,796
VI.Ending balance of cash and cash equivalents		3,857,510	3,500,429	31,599,483	29,210,782

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Cash flow statement (Con.)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January-June 2007 Unit : RMB

Supplement information	Line	January-June 2007		January-June 2006	
		Consolidation	Parent company	Consolidation	Parent company
1. adjust of net income to cash flows from operating activities					
Net		1,127,595.68	2,616,804.85	-61,490,770	-1,821,928
Add : Provision for impairment of assets					
Depreciation of fixed asset, Loss of Oil & Gas asset and Depreciation of Biology assets		7,349,876.97	6,305,869.16	6,460,431	5,303,703

Amortization of intangible assets		167,206.86	167,206.86	166,382	166,382
Amortization of long-term prepayments		-	-	-	-
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)		45,075.59	45,075.59	-	-
Losses on scrapping of fixed assets (Less : gains)		-	-	33,864	3,499
Losses from the change of fair value (less: gains)					
Financial expenses (Less : Gains)		587,462.35	229,118.34	8,964,790	1,354,932
Investment losses (less : gains)		-	-	52,236,639	-
Decrease of deferred income tax asset (less : increase)		-	-	-	-
Increase of deferred income tax liability (less : decrease)					
Decrease in inventory (less : increase)		-9,575,028.64	-9,575,028.64	2,941,397	3,267,841
Increase in operating receivable (less : increase)		-17,734,762.05	-17,206,416.56	-11,380,761	-8,637,195
Increase in operating payables (less decrease)		18,948,601.65	18,484,407.35	4,860,050	3,400,206
Other		1,512,092.28	1,377,862.91	333,031	-215,529
Net cash flows from operating activities		2,428,120.69	2,444,899.86	3,125,053	2,821,911
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 financial lease		-	-	-	-
3. Net increase in cash and cash equivalents					
Cash at the end of the period		3,857,509.59	3,500,428.80	31,599,483	29,210,782
Less : Cash at the beginning of the period		1,781,405.86	1,407,545.90	36,495,355	34,409,796
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		2,076,103.73	2,092,882.90	-4,895,872	-5,199,014

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Consolidated statement on changes of owners' equity (I)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January-June 2007 Unit : RMB

Item	Amount in this year		
	Owners' equity belonged to the parent company	Minority	Total owners'

	Share capital	Capital reserves	Surplus reserves	Retained Profit	interest	equity
I.Balance at the end of the last year	383,000,000.00	550,253,744.43	27,454,788.05	-760,504,874.39	9,208,551.40	209,412,209.49
Add : Changes of accounting policy				20,441,848.83	1,123,702.00	21,565,550.83
Error correction of the last period						
II.Balance at the beginning of this year	383,000,000.00	550,253,744.43	27,454,788.05	-740,063,025.56	10,332,253.40	230,977,760.32
III.Increase/Decrease in this year				1,406,673.48	-279,077.80	1,127,595.68
(1)Net profit				1,406,673.48	-279,077.80	1,127,595.68
(2) Profit and losses calculating into owners' equity						
1.Net changing amount of fair value of financial assets available for sale						
2.Effect of changes of other owners' equity of invested units under equity method.						
3.Effect of income tax related to owners' equity						
4.Other						
Subtotal of (1)and(2)				1,406,673.48	-279,077.80	1,127,595.68
(3) Owners' devotion and decreased capital						
1.Owners' devotion capital						
2.Amount calculated into owners' equity paid in shares						
3.Other						
(4) Profit distribution						
1.Withdrawal of surplus reserves						
2.Withdrawal of general risk provisions						
3.Distribution for owners						
4.Other						
(5) Carrying forward internal owners' equity						
1.Capital reserves converted to capital (Share capital)						
2.Surplus reserves converted to capital(share capital)						
3.Remedying loss with profit surplus						
IV.Balance at the end of this year	383,000,000.00	550,253,744.43	27,454,788.05	-738,656,352.08	10,053,175.60	232,105,356.00

Legal Representative of the Company : Shang Jianbin
 Person in charge of accounting organ: Song Hongbo
 Person in charge of accounting institutes: Zhou Yumao

Consolidated statement on changes of owners' equity (II)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.
 January-June 2007 Unit : RMB

Item	Amount in last year					
	Owners' equity belonged to the parent company				Minority interest	Total owners' equity
	Share capital	Capital reserves	Surplus reserves	Retained Profit		
I. Balance at the end of the last year	383,000,000.00	538,261,486.00	27,454,788.05	-682,533,073.00	19,873,763.00	286,056,964.05
Add : Changes of accounting policy						
Error correction of the last period						
II. Balance at the beginning of this year	383,000,000.00	538,261,486.00	27,454,788.05	-682,533,073.00	19,873,763.00	286,056,964.05
III. Increase/Decrease in this year		11,992,258.43		-77,971,801.39	-10,665,211.60	-76,644,754.56
(1) Net profit				-77,971,801.39	-17,313,381.73	-95,285,183.12
(2) Profit and losses calculating into owners' equity		11,992,258.43			6,648,170.13	18,640,428.56
1. Net changing amount of fair value of financial assets available for sale						
2. Effect of changes of other owners' equity of invested units under equity method.		11,992,258.43			6,648,170.13	18,640,428.56
3. Effect of income tax related to owners' equity						
4. Other						
Subtotal of (1) and (2)		11,992,258.43		-77,971,801.39	-10,665,211.60	-76,644,754.56
(3) Owners' devotion and decreased capital						
1. Owners' devotion capital						
2. Amount calculated into owners' equity paid in shares						
3. Other						
(4) Profit distribution						
1. Withdrawal of surplus reserves						
2. Withdrawal of general risk provisions						

3.Distribution for owners						
4.Other						
(5) Carrying forward internal owners' equity						
1.Capital reserves conversed to capital (Share capital)						
2.Surplus reserves conversed to capital (share capital)						
3.Remedying loss with profit surplus						
IV.Balance at the end of this year	383,000,000.00	550,253,744.43	27,454,788.05	-760,504,874.39	9,208,551.40	209,412,209.49

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Parent company statement on changes of owners' equity (I)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January-June 2007 Unit : RMB

Item	Amount in this year				
	Share capital	Capital reserves	Surplus reserves	Retained profit	Total owners' equity to parent company
I.Balance at the end of the last year	383,000,000.00	550,253,744.43	27,454,788.05	-760,504,874.39	200,203,658.09
Add : Changes of accounting policy				20,441,848.83	20,441,848.83
Error correction of the last period					
II.Balance at the beginning of this year	383,000,000.00	550,253,744.43	27,454,788.05	-740,063,025.56	220,645,506.92
III.Increase/Decrease in this year				2,616,804.85	2,616,804.85
(1)Net profit				2,616,804.85	2,616,804.85
(2) Profit and losses calculating into owners' equity					
1.Net changing amount of fair value of financial assets available for sale					
2.Effect of changes of other owners' equity of invested units under equity method.					
3.Effect of income tax related to owners' equity					
4.Other					
Subtotal of (1) and (2)				2,616,804.85	2,616,804.85

(3)Owners' devotion and decreased capital					
1.Owners' devotion capital					
2.Amount calculated into owners' equity paid in shares					
3.Other					
(4)Profit distribution					
1.Withdrawal of surplus reserves					
2.Withdrawal of general risk provisions					
3.Distribution for owners					
4.Other					
(5) Carrying forward internal owners' equity					
1.Capital reserves converted to capital (Share capital)					
2.Surplus reserves converted to capital(share capital)					
3.Remedying loss with profit surplus					
IV.Balance at the end of this year	383,000,000.00	550,253,744.43	27,454,788.05	-737,446,220.71	223,262,311.77

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Parent company statement on changes of owners' equity (II)

Prepared by: Shijiazhuang Baoshi Electronic Glass Co., Ltd.

January-June 2007 Unit : RMB

Item	Amount in last year				
	Share capital	Capital reserves	Surplus reserves	Retained profit	Total owners' equity to parent company
I.Balance at the end of the last year	383,000,000.00	538,261,485.63	27,454,788.05	-682,533,073.19	266,183,200.49
Add : Changes of accounting policy					
Error correction of the last period					
II.Balance at the beginning of this year	383,000,000.00	538,261,485.63	27,454,788.05	-682,533,073.19	266,183,200.49
III.Increase/Decrease in this year		11,992,258.80		-77,971,801.20	-65,979,542.40
(1)Net profit				-77,971,801.20	-77,971,801.20
(2) Profit and losses calculating into owners' equity		11,992,258.80			11,992,258.80
1.Net changing amount of fair value of					

financial assets available for sale					
2.Effect of changes of other owners' equity of invested units under equity method.		11,992,258.80			11,992,258.80
3.Effect of income tax related to owners' equity					
4.Other					
Subtotal of (1) and (2)		11,992,258.80		-77,971,801.20	-65,979,542.40
(3) Owners' devotion and decreased capital					
1. Owners' devotion capital					
2. Amount calculated into owners' equity paid in shares					
3. Other					
(4) Profit distribution					
1. Withdrawal of surplus reserves					
2. Withdrawal of general risk provisions					
3. Distribution for owners					
4. Other					
(5) Carrying forward internal owners' equity					
1. Capital reserves converted to capital (Share capital)					
2. Surplus reserves converted to capital (share capital)					
3. Remedying loss with profit surplus					
IV. Balance at the end of this year	383,000,000.00	550,253,744.43	27,454,788.05	-760,504,874.39	200,203,658.09

Legal Representative of the Company : Shang Jianbin

Person in charge of accounting organ: Song Hongbo

Person in charge of accounting institutes: Zhou Yumao

Shijiazhuang Baoshi Electronic Glass Co., Ltd.

Notes to financial statements

June 30, 2007

I. Brief introduction of the Company :

Shijiazhuang Baoshi Electronic Glass Co., Ltd. (Hereinafter referred to as “The Company”) is a company listed with Shenzhen stock Exchange which issued domestically listed ordinary shares (A shares) and domestically listed foreign-capital shares (B shares). The approved business scope of the Company is the manufacturing and sales of kinescope bulb and kinescope for black-and-white TV. Due to the abrupt change of domestic TV market in 1997, the Company’s production line producing kinescope bulb and kinescope for black-and-white TV stopped production from June 1997. The Company held provisional general meeting on March 30, 2000. The meeting passed the resolution for selling this production line to its controlling shareholder Shijiazhuang Baoshi Electronic Group CO., Ltd. (the Controlling Co.) to exchange it for the component factory of the Controlling Co. engaged in the production of kinescope part of color TV. From then on, the main operating activities of the Company were the production and sales of pins and anode caps used for kinescope bulb for color TV. As adopted by 2002 annual shareholders’ general meeting, the Company’s business scope was extended to include the export of self-made products and the import of mechanical equipment, parts and components, raw and auxiliary materials needed by the Company in addition to the original dealing in electro-vacuum glass devices and supporting electronic components.

The subsidiary whose shares controlled by the Company (with the Company collectively called ‘the Group’) Shijiazhuang Baoshi Color bulbs Co., Ltd (hereinafter referred to as ‘Color bulbs’), on July 3, 1997, jointly invested and established Shijiazhuang Baoshi Electric Nitrate & Glass Co., Ltd (hereinafter referred to as Pin Co.) with Japan Electric Pin Company and the Japan IWAI Corporation to set up a venture in S The yield Glass Limited. Color Shell owned 49% equity of Nitrate Co. The main business

of Nitrate Co. is production and sales of the glass shell of picture tube for color TV. On November 30 2006, Color bulbs transferred all his equity in Pine Co. to Shijiazhuang Baoshi Electronics Group Co., Ltd.

II. Accounting policies, accounting estimation and the method of preparing consolidated financial statements :

(1) Basis for preparing financial statements :

The accounting statement was compiled in accordance with the *Corporate Accounting Standards* and its application guidelines released by the state Ministry of Finance on February 15, 2006.

(2) Accounting year: from January 1 to December 31 as one accounting year.

(3) Standard currency for bookkeeping : The Company takes RMB as the standard currency for bookkeeping.

(4) Book keeping basis and pricing principle.

The Company takes the accrual system as the basis for book keeping.

Accounting factors are usually measured by historical cost, using the replacement costs, the realizable net value, the present value, the fair value to measure, to ensure that the amount of accounting factors can be obtained and measured. Accounting factors are usually measured by historical cost, using the replacement costs, the realizable net value, the present value, the fair value to measure, to ensure that the amount of accounting factors can be obtained and measured.

(5) Foreign currency translation

Transactions denominated in foreign currencies are translated into RMB at the applicable basic rates of exchange quoted by the People's Bank of China ("PBOC") prevailing at the dates of the transaction. The foreign currency accounts on the balance sheet date were converted to RMB according to the median price of the RMB exchange rate on that date announced by the People's Bank. The exchange differences were accounted to gains or losses of the current period besides the exchange losses or gains from special funds and interests in the period of construction of fixed assets that were accounted to the long-term unamortized expenses.

(6) Cash and cash equivalents

The cash stated in cash flow statement refers to cash in hand and bank deposits usable for payment at any time. Cash equivalent refers to the investments with holding period of less than three months that are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

(7) Accounts receivable and provision for bad debts

Accounts receivable include the accounts receivable and other receivable . The Group had adopted allowance accounting method to account the possible bad debts losses. method. The account Receivable was the net value of the actual amount minus the bad debt reserve.

(a) Accounts receivable

Accounts receivable include the accounts receivable from related parties and non-related parties.

For the related accounts receivable, the receivability, the other accounts receivable and the non-related account receivable that exists evident differences, the Group adopts the method of individual identifying to account the special bad debt reserve.

(b)Other receivables

For the accounts of other receivable, the Group uses the method of individual identifying to account the special bad debts reserve.

(c) Recognition standards for bad Debt losses.

For the receivables that can not be repaid with evidence are recognized as bad debts, offsetting the bad debt reserve accounted.

(8)Inventories

Inventories including raw materials, products in production, Low-value consumable goods, goods in stock, spare parts, are listed depending on which is lower between cost and net value realizable.

For stock releasing, accounts by month-end weighted average method. For the consuming of Consumable Goods of Low Value, uses once conversion method to account the cost. For the consuming of packaging materials, accounts it to the cost at one time. For the cost of finished products and products in production including the raw materials, direct labor, all indirect production costs under normal production capacity, and the conversion of the cost of inventory sold, accounts by month-end weighted average method.

For inventory at period end, accounts the inventory price falling reserve according to the difference between the cost of individual inventory project and the net value realizable. For the inventories that have similar purposes and relate to the products in the same region, and in fact, are difficult to distinguish the serial products from other items, collectively account the price falling reserve; For inventories that have large quantity but low in price, account the price falling reserve according to stock categories. For the net value realizable in accordance with the normal production process, determine the amount by the estimated stock price minus the estimated cost, cost of sales and related

taxes.

(9) Long-term equity investment

Long-term equity investment includes the equity investments in the subsidiaries and joint ventures or joint owned enterprise, and the equity investments that have no controlling significant influence and have no quotations in market and fair value have no reliable measurement.

- (1) Initial measures:
- (2) For the long-term equity investments formed by the merger of enterprises, determines its initial investment costs in accordance with the following provisions:

For the corporate merger under the same control, the merging parties paying by cash, transfer of non-cash assets, or the means of debt bearing as the merger price. The merger should be made in accordance with the combined book value of the owner's equity share of the equity investment as a long-term investment in the initial cost, long-term equity investment initial investment costs the cash payment, transfer of the non-cash assets and the assumption of debt by book value to the difference between the adjusted capital surplus; for surplus less than the offset capital, adjusts the retained earnings; for the merging parties with the issuance of securities as interest on the price of the merger, the merger should be made in accordance with the merging parties the rights of owners book value of equity shares as a long-term investment in the initial cost of the investment. In accordance with the issued shares and total value of equity, long-term equity investments and the cost of initial investment by issuing shares of a face value of the difference between the amount should be adjusted capital surplus; for Less capital surplus, adjusts the retained earnings.

Long-term equity investment formed by the merger of enterprises under different control, determine the initial cost of long-term equity investment according to the cost of enterprise merger at the date of purchase.

(ii) Besides the long-term equity investment obtained by the other way of the merger, determine the initial investment cost in accordance with the following provisions:

For the long-term equity investment obtained by cash, determine the initial investment cost in accordance with the actual payment of the purchase price. Initial investment costs include the costs, taxes and other necessary expenses directly related to the obtaining of long-term equity investment;

For the long-term equity investment obtained by the issuance of equity securities, determine the initial investment cost in accordance with the fair value of the equity securities issued.

For the long-term equity investment invested by investors, determine the initial investment cost in accordance with value in the investment contract or agreement, besides the contract or agreement

regulates the value can not be the fair value.

For the long-term equity investments obtained through the exchange of non-monetary assets, determine the initial investment costs in accordance with the *Enterprise Accounting Standards No. 7--non-monetary exchange of assets*.

For the long-term equity investments obtained through debt restructuring, determine initial investment costs in accordance with the *Enterprise Accounting Standards No. 12--Debt Restructuring*.

(2) Follow-up measurement:

(i) For the long-term equity investments that do not have joint control or significant influence on subsidiaries, have no market quotations, the and the fair value can not be reliably measured, accounts by the cost method..

For the cash dividend or profit declared by the units invested, recognizes it as current investment income. Confirmation of investment income is restricted to cumulative net profit of sub-quotas after units invested receiving the investments. For the part that surpass the above amount, recovers it as the initial investment cost.

(ii) For the long-term equity investments that have joint control or significant influence on the units invested, accounts it by the method of equity.

Upon the acquiring of the long-term equity investment, based on the fair assets value recognized by the units invested, confirm the investment losses or gains and adjust the account value of long-term equity investment after adjusting the net losses and gains achieved by the units invested. The owning part of the profit and cash dividends declared by the units invested, correspondingly reduce the book value of the long-term equity investment. For the other changes in the rights of the owners apart from the net gains and losses of the units invested, adjusts the book value of the long-term equity investments and recognizes it as capital surplus.

On the date of balance sheet, accounts it according to which is lower between the book value of long-term equity investments and the amount recoverable, if the amount recoverable is lower than the book value, accounts the assets devaluation preparations and confirms the devaluation losses.

The Company adopts the method of accounting long-term equity investment term by term, once the devaluation preparation is confirmed, it shall not be converted back in the accounting period in the future.

For the long-term investments that have market price, judge and account the devaluation preparations according to the following situations:

The market price lower than the book value in continuous two years;

The investment is suspended for one year or more;

The units invested have serious losses in that year;

The units invested have losses in continuous two years;

The units invested have rectification, liquidation and other signs of unsustainable business.

For the long-term investments without market price, judge and account the devaluation preparations in accordance with the following signs:

The changes in political or legal environment like the issuance or rectification of tax laws and trading laws that affect the operation of the units invested, may result in the huge losses in the units invested.

The changes in market demands due to the goods or labor provided by the units invested are obsolete or due to consumers' preferences change, resulted in serious influences in the financial situation in the units invested;

The production technologies in the industries of the units invested have significant changes, the units invested have lost their competitive capacity, thus leading to serious financial situations, for example: rectification, liquidation etc;

The other situations that there is evidence to show the investment will not actually bring economic interests for the Group

Standards for fixed assets: the assets held for the purpose of goods production, labor providing, rent or management; the service life more than one year; the tangible assets with high unit value.

The fixed assets which meet the following conditions, can be identified:

- (1) Economic benefits related to the fixed assets may flow to the enterprise;
- (2) The cost of the fixed assets can be reliably measured.

Initial measurement of fixed assets: account the value of the fixed assets in accordance with the actual cost of construction & purchase of them.

The follow-up expenditures related to fixed assets, for the ones that meet the conditions of fixed assets confirmation, should be included in the cost of fixed assets; For the ones that do not meet the conditions of fixed assets recognition, should be included in the current gains and losses. For the follow-up expenditures on fixed assets, should be included in the cost of fixed assets, and should terminate the book value of fixed assets that was replaced.

The enterprise should account depreciation for all fixed Assets. But except the fixed assets that had

accounted adequate depreciation but continued to use and the land separately accounted.

Depreciation Method: for depreciation of fixed assets, uses the straight-line method, accounting by the recorded value minus the estimated residual net value in the expected life period.

Determine the depreciation rate according to the categories of fixed assets, expected life span and the expected rate of net residuals, as follows :

Type of Fixed asset	Estimated useful Life	Estimated residual value rate	Depreciation rate(%)
Houses & buildings	20 ~ 21	3	4.62 ~ 4.85
Mechinery and Equipment	11 ~ 12	3	8.08 ~ 8.82
Means of transportation	11 ~ 12	3	8.08 ~ 8.82
Other Equipment	11 ~ 12	3	8.08 ~ 8.82

At the end of each year, the Group checks the fixed assets item by item. If recoverable amount is below the book value because the steady fall of the market price, or technological obsolescence, damage or long-term idleness or other factors, then make the difference between the recoverable amount and the book value as the reserve for fixed assets devaluation, which was accounted as the individual assets.

If the fixed assets of the company actually have had losses, then account the devaluation reserve. When one of the following circumstances exists, completely account the reserve for fixed assets devaluation in accordance with the full book value of fixed assets:

The fixed assets that being put aside in long term, or no longer be used in the foreseeable future, and have no value of transfer;

Due to technological advances and other factors, the fixed assets can not be used;

Although the fixed assets can be used, but if use, large quantity of unqualified products may produce;

The fixed assets that had been damaged, and there is no usage value or value of transfer;

Other fixed assets that cannot bring economic benefits for the Group.

Upon the recognition of the fixed assets devaluation losses, depreciation or amortization expenses of the devalued assets should have correspondent adjustment in the future periods, so that in the remaining service life of the assets, systematically adjust the book value of the assets (excluding the predicted net residuals).

Upon the recognition of the fixed assets devaluation losses, in the subsequent accounting period they

shall not be converted back.

Costs of the project include the construction costs, and other direct costs, original price cost and installation cost of the equipment, and the loan expenses from the loan for purchase of fixed assets for the construction project.

The construction project reached the predicted purpose and was transferred to the fixed assets state, and started to account depreciation from the second month.

The Group conducts overall inspection to the construction projects at the end of each year, if there is evidence to show that the construction projects have already devaluated, devaluation reserves should be accounted. If there is one or more of the following circumstances, devaluation reserves for construction projects should be accounted:

(11)Construction-in -progress

Construction in progress represents capital assets under construction or installation and is stated at actual cost. The projects that had long been stopped or the projects that will not restarted in three years.;

The projects that was lagged behind in both performance and in technique, and that may bring great uncertainty for the economic benefits of the Group.

Other situations that can prove that depreciation has already occurred to the construction projects.

Once the devaluation losses of the construction projects are confirmed, they shall be converted back in subsequent accounting period.

(12)Intangible assets

For intangible assets, including patents, generic technology, trademark, copyright, land-use right, permit right, etc, are listed by the net value that cost minus accumulated amortization and accumulated devaluation.

The amount of amortization of intangible assets should be systematically amortized within the service life. Amortization method should reflect the economic profit and the expected achievement methods related to the intangible assets. If unable to determine the expected achievement methods, adopt the method of straight line to amortize. For the intangible assets that can not confirm the service life, do not amortize.

For the right of land use, the actual payment of the purchase price is the actual cost, accounting the intangible assets before the construction of the project, and using method of straight line to amortize according to the land use period.

For the expenditures on internal research & development projects, the company pays the expenses

according to the research phase and development phase. The expenditures in the research phase are included in current profit and loss; For the expenditures that meet the conditions in the development phase, shall be capitalized and recognized as intangible assets.

At the end of each year, the Group checks the capability of all intangible assets that is expected to bring economic benefits for the Group in the future. For the expected recoverable amount below its book value, account the reserves for devaluation. For the intangible assets, account the reserves for devaluation according to the individual item.

When there is one or more of the following cases, the book value of intangible assets shall be completely converted to the current profit and loss:

The intangible asset that have been replaced by some other new technology, and it had no use value and transfer value;

The intangible assets the has exceeded the legal time limit, and it can not bring economic benefits for the Group;

Other cases that can prove the intangible asset had lost its use value and transfer value.

When there is one or more of the following circumstances, account the devaluation reserves for the intangible assets:

The intangible assets that have been replaced by other new technologies, and that makes it produce great adverse affect to economic interests of the Group.

The market value of certain intangible assets had a sharp decline in the current period, and will no resume in the remaining amortization period;

The intangible assets the has exceeded the legal time limit, but they still have some value;

Other cases that can prove the intangible assets have had devaluations.

Once the devaluation losses of the intangible assets have been recognized, they can not be converted back in the subsequent accounting period.

(13) Long-term amortization expenses.

If the long-term amortization expenses are precious metals, amortize according to the actual damage degree of the precious metals, and listed by the net amount of actual expenditure minus the accumulated amortization.

(14) Loan expenses.

(1) Recognition principles for the capitalization of loan expenses.

Loan expenses include the interest on borrowings, the amortization of premium or discount, support expenses and the exchange differences from foreign currency loans etc. For the loan expenses, if can be

directly attributed to the capital, account them into the capital costs; For the other loan expenses, account them into the losses and gains in the current period according to the occurrence amount.

If the loan expenses meet the all following conditions in the same time, they shall be capitalized and included into the cost of that assets : Assets expenditure has occurred; The loan costs have occurred; The necessary construction or production activities for the assets to achieve the predicted state.

The loans include the specialized loan and the general loan.

(2) For the additional expenses from specialized loan, before the achieving of the expected use or sale state and meet the capitalized condition, according to the occurrence amount to have capitalization, and account it into the capital cost that meet the capitalization condition; after the achieving of the expected use or sale state and meet the capitalized conditions, according to the occurrence amount to recognize as cost, and account it into the current losses and gains.

For the additional expenses from general loans, recognize the occurrence amount as the expenses, and account it into the current losses and gains.

(2) Calculation method for loan expenses capitalization.

For the special loan for the construction and production of capitalized assets, the actual interest expense from special loan minus the interest income from loan deposited in the bank or the amount of investment gains from temporary investment.

For the general loan for the construction and production of capitalized assets, according to the capital expense weighted average amount of the cumulative capital expenditure multiply the capitalization rate of the general loan occupied, account interest amount of the general loan capitalization. The capitalization rate is accounted according to the general loan weighted average interest rate.

(15) Social security of staff and workers

The Group participates in social security system for staff and workers established by governmental agencies according to relevant regulations, including endowment insurance, public accumulation fund for housing construction and others. Except the above –mentioned, the Company did not make other important commitment in respect of welfare of staff and workers

The Group allocates for insurance premium and common reserve fund according to certain proportion of total payroll under the premise of not exceeding the specified top limit and make payment to labor and social security organ in accordance with relevant regulations. Corresponding expenditure is included in current production costs or expenses.

(16) Income recognition

Sales of products :

The risks and rewards on goods ownership are transferred to the buyers. The company will no longer implement the right of management and the right of actual control. The amount of income can be reliably accounted. The economic interest related to transactions flows into the Group and the cost related to the sale of the goods, the realization of business income confirmed.

Provision of labor services :

The operating income from the labor services started and finished within the same fiscal year is recognized when the labor services are finished. The income from labor services that are started and completed in different years is recognized with completion percentage method on the date of balance sheet where the result of provision of labor services can be reliably estimated.

Transferring the use right of the assets:

The related economic interests are likely to flow into the enterprise, and the amount of the revenue can be reliably measured, confirm it as income. For the income from use fee, account it according to the charge time and method agreed in the contract or the agreement.

The method of balance sheet debt is used for the accounting method for the income tax of the Group.

Other income is recognized on the following basis :

The interest income is recognized according to the time proportion of deposit period and effective yield .

(17) Accounting process of income tax

The unpaid income taxes in the current and prior period shall be confirmed as liabilities. And the over paid income tax shall be confirmed as assets. Upon the acquisition of the assets and liabilities, tax accounting basis shall be confirmed. If there are differences between the account value of the assets and liabilities and the tax accounting basis, the deferred income tax assets or deferred income tax liabilities shall be confirmed according to the relevant regulations.

(18) Method of preparing consolidated financial statements

The Group compiles the consolidated accounting statements according to Finance Ministry Accounting word [2006] the 3rd Enterprise Accounting Standards No. 33 – regulations for consolidating financial statements.

The Company starts to consolidate the income , cost and profit of subsidiaries for corresponding period from the date of obtaining the actual control of subsidiaries and stops the consolidation from the date of losing actual control. All material balances of current accounts, transactions and unrealized profits between the Company and the subsidiaries have been eliminated on consolidation.

For the minority shareholders' equity that belongs to the equity of the subsidiary but does not belong to the Group is listed with the item of 'minority shareholders equity'. For the minority shareholders equity in the current net gains and losses shall be listed the in item 'minority shareholders equity' under the item of net profit in the integrated profit sheet.

III. Taxation

Major taxes.	Tax Rate.	Tax Base.
VAT	17%	Product sales revenue.
VAT	13%	Sales revenue of energy and power.
VAT	3 ~ 5%	Income from labor services and lease.
City construction tax.	7%	Turnover tax to be paid allowances.
Surcharge for education	4%	Turnover tax to be paid allowances.
Corporate income tax.	33%	Taxable income

IV. Controlled subsidiaries and associated companies

The Company consolidation scope

Full name of the investment company	Business nature	Registered capital (RMB'0000)	Business scope	Amount of investment made by the company	Proportion(%)		Whether Or not consolidated
					directly	Indirect	
Shijiazhuang Baoshi Color bulb Co., Ltd.	Manufacturing Industry	54,068	Production and sales of glass bulbs for colour kinescope and electronic glass products	43,934	81.26%		Yes

On November 2006, Color Tubes Shell Company transferred his equity in the joint venture Nitrate Company to Shijiazhang Baoshi Electronics Group Co., Ltd.

V. Notes to main items of financial statements(RMB : RMB)

1. Monetary capital

Item	June 30, 2007	December 31, 2006
Cash	245,562	92,763
Bank deposit	3,611,948	1,688,643
Total	3,857,510	1,781,406

2. Bill receivable

Item	June 30, 2007	December 31, 2006
Bank acceptance	5,175,533	5,263,529
Trade acceptance	0	0
Total	5,175,533	5,263,529

3.Account receivable

Account receivable

	June 30, 2007	December 31, 2006
Account receivable	Account receivable	70,515,095
Less: Bad debt reserve	31,787,170	31,787,170
Net account receivable	57,283,843	38,727,925

The age of accounts receivable analyzed

Age	June 30, 2007			December 31, 2006		
	Amount	Proportion(%)	Bad debt reserve	Amount	Proportion(%)	Bad debt reserve
Within 1 year	34,989,302	39	0	35,872,439	51	0
1-2 years	24,241,424	27	1,946,883	8,702,844	12	5,847,359
2-3 years	0	0	0	4,327,770	6	4,327,770
Over 3 years	29,840,287	34	29,840,287	21,612,042	31	21,612,042
Total	89,071,013	100	31,787,170	70,515,095	100	31,787,170

Total amount of other accounts receivable from top 5 debtors	The proportion of the total other receivables
62,761,105	79%

As at June 30, 2007, there were no important accounts receivable from the main shareholders of the Company holding more than 5% (including 5%) of the total shares of the Company.

4.Prepayment

Prepayment account analyse

Age	June 30, 2007	Proportion(%)	December 31, 2006	Proportion(%)
Within 1 year	4,355,698.8	99.58	6,736,578.8	99.94
1-2 years	4,378,450.8	100	6,759,816	100

As at June 30, 2007, there were no important accounts Prepayment from the main shareholders of the Company holding more than 5% (including 5%) of the total shares of the Company.

5. Other receivable

Other receivable

	June 30, 2007	December 31, 2006
Other receivable	96,424,912	97,246,068
Less: Bad debt reserve	5,323,832	5,323,832
Net other receivable	91,101,080	91,922,236

Other receivable age analysis

Age	End period			Beginning period		
	Amount	Proportion(%)	Bad debt reserve	Amount	Proportion(%)	Bad debt reserve
Within 1 year	73,349,532	76	0	82,896,418	85	0
1-2 years	11,603,198	12	0	3,223,888	3	0
2-3 years	3,083,436	3	0	3,341,935	3	0
Over 3 years	8,206,746	9	5,323,832	7,783,827	8	5,323,832
Total	96,424,912	100	5,323,832	97,246,068	100	5,323,832

6. Inventory and inventory depreciation reserve

Item	June 30, 2007		December 31, 2006	
	Amount	Depreciation reserve	Amount	Depreciation reserve
Raw materials	39,362,513.83	29,564,621.3	38,121,314.86	29,564,621.3
Work in process	1,568,353.19	0	2,289,994.86	0
Commodities in stock	27,699,064.04	5,020,904.92	18,708,068.55	5,085,380.77
Spare parts				
Wrappage				0
Total	68,629,931.06	34,585,526.22	59,119,378.27	34,650,002.07

7.Fixed assets and accumulated depreciation

Item	December 31, 2006	Increase in this period	Decrease in this period	June 30, 2007
Cost :				
Houses and buildings	182,844,995.6 0	442,366.81	448,511.21	182,838,851.20
Machine and equipment	181,959,722.1 1	165,897.59	2,090,963.00	180,034,656.70
Means of transportation	2,150,356.72		63,656.00	2,086,700.72
Other equipment	6,831,727.67	3,504.27	134,504.79	6,700,727.15
Total	373,786,802.1 0	611,768.67	2,289,123.79	371,660,935.77
Accumulated depreciation :				
Houses and buildings	88,524,849.44	4,206,707.02	145,317.12	92,586,239.34
Machine and equipment	121,865,899.5 9	3,249,703.16	1,938,354.64	123,177,248.11
Means of transportation	946,746.75	86,351.16	50,714.84	982,383.07
Other equipment	4,459,843.90	136,170.93	95,513.11	4,500,501.72
Total	215,797,339.6 8	7,678,932.27	2,229,899.71	221,246,372.24
Fized asset depreciation reserve	3,077,055.86	0	0	3,077,055.86
Net amount Fixed asset	154,912,406.5 6			147,337,507.67

Information on Mortgages of houses and buildings, see Note IX.

8.Consruction in progress

Consruction in progress

Item	June 30, 2007			December 31, 2006		
	Amount	Depreciation reserve	Net amount	Amount	Depreciatio n reserve	Net amount
Consruction in progress	425,713.08	0	425,713.0 8	82,570.83	0	82,570.83

Change of Consruction in progress

Name	December 31, 2006	Increase in this period	Transfer	Fixed assets	Other Decrease	June 30, 2007	Source of funds
Glass Bulb II		298,216.96				298,216.96	Self-raised fund
Laser solder	0	9,648.29				9,648.29	
Deliver Matenrial machine	82,570.83	35,277.00				117,847.83	
Total	82,570.83	343,142.25				425,713.08	

9.Intangible assets

Item	Model	Original amount	December 31, 2006	Increase in this year	Transfer	Amoritized in this period	Accumulative amortization	June 30, 2007	Remaining term of amortization
Land use right	Investment	9,776,825.	7,757,672			104,919	2,124,071	7,652,754	441 months
Land use right	Assets	6,228,786	5,387,901			62,288	903,174	5,325,612	513 months
Land use right	Metathesis	8,250	8,250			825	825	7,425	
Software		16,005,611	13,145,573			167,207	3,027,245	12,978,366	54 months
Total									

Information on Mortgages of intangible assets, see Note IX.

10.Long-term expenses to be amortized

Item	Original amount	December 31, 2006	Increase in this year	Transfer Out in this period	Amortization in this period	Accumulative amortization	June 30, 2007	Remaining period of amortization
Noble metal	7,723,271	7,723,271		1,685,000	0	0	6,038,271	
Total	7,723,271	7,723,271		1,685,000	0	0	6,038,271	

11.Deffered tax assets

Item	Balance at the period end.	Balance at the beginning of the year.
Deferred tax assets.		
1. Bad debt reserve.	8,785,014.47	8,785,014.47
2. Inventory devaluation provision	9,741,241.10	9,741,241.10
3. Assets devaluation provision	1,104,646.07	1,104,646.07

4. Loss to be made up	1,934,649.19	1,934,649.19
Total	21,565,550.83	21,565,550.83

12.Short-term loan

Borrower	June 30, 2007	December 31, 2006	Interest rate	Term	Note
Hebei Finance Department	5,000,000	5,000,000	7.20%	1995.6.1-1995.11.31	Credit loan
Fund raising office of shijiazhuang Finance Bureau	381,026	403,892	12.80%	1995.3.1-1997.3.1	Credit loan
Total	5,381,026	5,403,892			

Short-term loan includes the foreign currency loan 48,795 US dollars, which is 371,598 Yuan in RMB by the exchange rate on June 30 2007; Short-term loans were due. By June 30, 2007, the Group had not signed new loan contracts with the relevant agencies. Color Bulbs Company has obtained the written confirmation from Financial Bureau of Shijiazhuang City Office. There won't be additional penalties for the overdue loans.

13.Bill payable

Bill Type	Accepting bank	Term of bill	June 30, 2007	December 31,2006
Bank acceptance	Shijiazhuang Commercial Bank	6 Months	39,999.90	39,999.90
Bank acceptance	Shijiazhuang Agricultural Bank, Huaan Branch	6 months	50,000.00	50,000.00
Total			89,999.00	89,999.00

14.Accounts payable

Item	June 30, 2007	December 31, 2006
Accounts payable	29,139,423.22	23,184,431
Other payable	51,977,500	41,355,583
Accounts prepayment	1,269,752	1,264,013

15.Payable Employee wage

Item	beginning Balance	Increase in this period	Payment amount	End Balance
Welfarism	4,242,084.70	64,361.94	1,404,633.72	2,901,812.92
Labour union	1,089,485.64	55,080.99	127,000.00	1,017,566.63
Outlay				
Education outlay	2,597,899.58	44,542.71	28,141.55	2,614,300.74
Total	7,929,469.92	163,985.64	1,559,775.27	6,533,680.29

16.Tax payable

Tax type	June 30, 2007	December 31, 2006
VAT PAYABLE	-3,868,882	-5,099,791
Business tax payable	3,729,831	3,733,946
Income tax payable	-1,662,253	-1,662,253
City construction tax payable	256,320	236,611
Education supertax	131,879	120,618
Other	2,060	79,958
Total	-1,411,045	-2,590,911

17.Interest payable

Type	June 30, 2007	December 31, 2006	Cause of end year associative
Loan interest	39,058,076	38,699,516	Accrued unpaid
Total	39,058,076	38,699,516	

18.Other current assets /liabilities

	June 30, 2007	December 31, 2006
Other Current assets	58,000,000	58,000,000
Other Current liabilities	78,087,000	80,702,000.

In 1993,the Group signed the agreement on exchange of US dollars which agreed returning

10,000,000 US dollars to the Exchange Unit and repossess the 58,000,000 Yuan exchanged, By June 30, 2007, the Group still consults with the Exchange Unit on the returning of the exchange.

19. Paid-up capital/share capital

	June 30, 2007	December 31, 2006
I. Share with conditional subscription		
1.State-owned shares		
2.State-owned legal person shares	192,401,729	214,490,945
3.Other domestic shares	1,011,797	4,046,800
Of which : Domestic legal person shares	1,000,000	4,031,070
Domestic natural person shares	11,797	15,730
Total of the Share with conditional subscription	193,413,526	218,537,745
II. Shares with unconditional subscription		
1.Common shares in RMB	89,586,474	64,462,255
2.Foreign shares in domestic market	100,000,000	100,000,000
Total of the Shares with unconditional subscription	189,586,474	164,462,255
III. Total of capital shares	383,000,000	383,000,000

20. Capital common reserve

<u>January 1, 2007</u>	<u>Increase in this period</u>	<u>Decrease in this period</u>	<u>June 30, 2007</u>
550,253,744			550,253,744

21. Surplus common reserve

January 1, 2007	Inrease in this period	Decrease in this period	June 30, 2007
27,454,788			27,454,788

22. Retained profit

Retained profit of beginning	Inrease in this period	<u>Decrease in this period</u>	June 30, 2007
-740,063,026	1,406,674		-738,656,352

23. Business income and Business cost

Type	partsfor	June 2007		June 2006	
		Business income	Business cost	Business income	Business cost
Kinescope color TV		19,653,341	13,506,565	30,331,945	18,209,814
Glass Plain tube		15,381,482	13,228,169	835,864	835,864
Sell power		68,836,623	67,100,671	60,862,326	63,446,196
Provide service		1,013,008	843,516	7,989,618	3,094,401
Other		5,865,902	1,626,080	3,089,642	1,310,608
Total		110,750,356	96,305,001	103,109,395	86,896,883

24. Business tax and additional

Type	Standard	June 2007	June 2006
City safeguard and construction tax	7% 374,520	213,454	
Education surtax	4%	214,011	121,974
Total		588,531	335,428

25. Financial expenses

Type	June 2007	June 2006
Interest expenses	592,948	9,928,790
Less : Income from interest	5,937	986,623
Exchange loss (Less: Gains)	0	0
Commission charge	451	0
Other	0	22,622
Total	587,462	8,964,789

VI. Notes to main items of financial statement (Parent company)

Unit: RMB

1. Account receivable

Account receivable

	June 30, 2007	December 31, 2006
Account receivable	89,071,013	70,515,095
Less : Bad debt reserve	31,787,170	31,787,170
Net account receivable	57,283,843	38,727,925

The age of accounts receivable analyzed

Age	June 30, 2007			December 31, 2006		
	Amount	Proportion(%)	Bad debt reserve	Amount	Proportion(%)	Bad debt reserve
Within 1 year	34,989,302	39	0	35,872,439	51	0
1-2 years	24,241,424	27	1,946,883	8,702,844	12	5,847,359
2-3 years	0	0	0	4,327,770	6	4,327,770
Over 3 years	29,840,287	34	29,840,287	21,612,042	31	21,612,042
Total	89,071,013	100	31,787,170	70,515,095	100	31,787,170

Total amount of other accounts receivable from top 5 debtors	The proportion of the total other receivables
62,761,105	79%

As at June 30, 2007, there were no important accounts receivable from the main shareholders of the Company holding more than 5% (including 5%) of the total shares of the Company.

2. Other receivable
Other receivable

	June 30, 2007	December 31, 2006
Other receivable	89,605,847	90,955,348
Less: Bad debt reserve	4,253,832	4,253,832
Net other receivable	85,352,015	86,701,516

(2) Other receivable age analysis

	June 30, 2007			January 1, 2007		
	Amount	Proportion(%)	Bad debt reserve	Amount	Proportion(%)	Bad debt reserve
Within 1 year	76,404,627	85	0	77,754,128	85	0
1-2 years	3,145,458	4	0	3,145,458	4	0
2-3 years		4			4	

	3,341,935		0	3,341,935		0
Over 3 years	6,713,827	7	4,253,832	6,713,827	7	4,253,832
Total	89,605,847	100	4,253,832	90,955,348	100	4,253,832

3. Long-term investment

Long-term investment

Item	January 1, 2007	Increase in this period	Decrease in this period	June 30, 2007
Long-term equity investment	44,802,503		0	44,802,503
Bad debt reserve	0		0	0
Total	44,802,503		0	44,802,503

Long-term equity investment

Name	Investment Term	Begin investment Amount	Add to investment	Proportion(%)	Increase/Decrease	Increase/decrease of accumulative	End balance
Colr bulb Co.	1996.11-Non Fixed term	439,342,000		81.26	0	-394,539,497	44,802,503
Total		439,342,000	0	81.26		-394,539,497	44,802,503

11. Deffed income tax assets

Item	Balance at the period end.	Balance at the beginning of the year.
Deferred income tax assets.		
1. Bad debt reserve.	5,364,384.76	5,364,384.76
2. Inventory devaluation provision	9,601,758.35	9,601,758.35

3. Fixed Assets devaluation provision	415,013.72	415,013.72
4. Loss to be made up	188,118.63	188,118.63
Total	15,569,275.46	15,569,275.46

5. Payable Employee wage

Item	beginning Balance	Increase in this period	Payment amount	End Balance
Welfarism	3,716,019.06	64,361.94	1,404,633.72	2,375,747.28
Labour union	1,089,485.64	55,080.99	127,000.00	1,017,566.63
Outlay				
Education outlay	2,597,899.58	44,542.71	28,141.55	2,614,300.74
Total	7,403,404.28	163,985.64	1,559,775.27	6,007,614.65

6. Business income and Business cost

Type	June 2007		June 2006	
	Business income	Business cost	Business income	Business cost
Kinescope partsfor color TV	19,653,341	13,506,565	30,331,945	18,209,814
Glass Plain tube	15,381,482	13,228,169	835,864	835,864
Sell power	68,836,623	67,100,671	60,862,326	63,446,196
Provide service	1,013,008	843,516	7,989,618	3,094,401
Other	5,063,270	1,485,218	1,333,561	1,110,608
Total	109,947,724	96,164,139	101,353,314	86,696,883

VII. Relation with related parties and related transactions (Unit : RMB)

1. Related Parties with controlling relation

(1) Related Parties with controlling relation

Enterprise Name	Registered address	Main Business	Relationshipwith the Company	Economic nature	Legal representative
Shijiazhuang Baoshi Electric Group Co., Ltd.	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang,	Electronic glass and other supporting electronic products	Final Controlling company	Limited liability compay	Shang Jianbin

Hebei Province

Colr bulb Co.	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province	Investment in companies	Controlled subsidiary	Limited liability company	Shang Jianbin
---------------	--	-------------------------	-----------------------	---------------------------	---------------

The registered capital of the related parties with controlling relationship and the change thereof

Enterprise Name	December 31, 2006	Increase in this period	Decrease in this period	June 30, 2007
Shijiazhuang Baoshi Electric Group Co., Ltd.	1,389,272,300	-	-	1,389,272,300
Colr bulb Co.	540,681,957	-	-	540,681,957

The shares or equity of the company held by the related parties with controlling relationship and the change thereof

Name	December 31, 2006		Increase in this period		Decrease in this period		June 30, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Shijiazhuang Baoshi Electric Group Co., Ltd.	211,282,800	55.17	-	-	-	-	198,091,729	51.72

The shares or equity of the related parties directly held by the company and the change thereof :

Name	December 31, 2006		Increase in this period		Decrease in this period		June 30, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Colr bulb Co.	439,341,957	81.26	-	-	-	-	439,341,957	81.26

2. Nature of the non-relationship with related parties

Name of associated enterprises	Relationship with the Company
Shijiazhuang Electric Pin Glass Co., Ltd.	Controlled by the same parent company
Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	Controlled by the same parent company
Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	Controlled by the same parent company
Shijiazhuang Baoshi Ruiming Co., Ltd.	Controlled by the same parent company
Shijiazhuang Baodong Electric Co., Ltd.	Controlled by the same parent company
Hannan Fuyang Baoshi Glass Co., Ltd.	Controlled by the same parent company

On November 30 2007, the Group transferred his 49% equity in the pin Co. 369,345,079 Yuan to Baishi Group, compensating the debt of the same amount he owed to Baoshi Group. Upon the transfer, long-term investment of the Group is zero.

3 . Related Transactions

Pricing policy :

The PROduct sold and the labour services provided by the Group are priced according to market price based on mutual agreement between the Company and related parties.

The transactions with the ultimate holding company

	January-June 2007	January-June 2006
Sales of raw materials and Work in process	2,596,847	245,958
Sales of power	11,901,095	11,027,649
Income from providing repair services	379,301	91,845
Payment of expenditure from fundpossession cost	0	(10,166,616)
Payment of service charge	0	(288,835)

The transaction with the Pin Co.

	January-June 2007	January-June 2006
Sales of raw materials and Work in process	8,509,228	7,949,200
Sales of power	65,913,970	59,309,507
Income from providing repair services	3,435,445	7,615,988
Interest income	-	-
Service charge income	-	8,722,556
Lease income	802,632	-

4 . Balance of account receivable from Related (Account payable)

	June 30, 2007	December 31, 2006
Shijiazhuang Baoshi Electric Group Co., Ltd.	-14,572,338	-16,419,949
Shijiazhuang Electric Pin Glass Co., Ltd.	108,248,514	97,154,997
Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	5,963,353	5,433,862
Shijiazhuang Baodong Electric Co., Ltd.	151,214	443,468
Shijiazhuang Baoshi Ruiming Co., Ltd.	3,382,938	2,811,984
Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	2,505,659	2,902,864

VIII. Contingent events

The Group was not involved in any material contingent event as at the balance sheet date.

IX. External security and commitment events.

On September 18 2006, the Group signed (contract number : 072006100101) mortgage contract with the Development Zone Branches of Shijiazhuang Commercial Bank, providing 18.8 million Yuan mortgage security for Shijiazhuang Construction & Investment Co., Ltd, the mortgage property: the land located at NO. 8 Electronic Plant Street, Chang'an District(land No.CA-2-8-3), and the house located at No.8 Chang'an District(House Ownership No.1900027).

X. Subsequent events

No

XI. Debt re-structuring issues

No

XII. Non-Monetary transactions

No

Supplement information-Attach Profit statement-Net asset earning rate-earning per share

Fully diluted and wighted average return on equity and per profit :

Profit in the report period	Return on net assets (%)				Earnings per share			
	Fully diluted weighted average		Weighted average		Fully diluted weighted average		Weighted average	
	In the report period	The same period of last year	In the report period	The same period of last year	In the report period	The same period of last year	In the report period	The same period of last year
Operating profit	0.658	-27.3519	0.7474	-24.0582	0.0038	-0.1604	0.0038	-0.1604
Net profit	0.6335	-27.382	0.7196	-24.0847	0.0037	-0.1606	0.0037	-0.1606
Net profit of non-recurring gains and losses deducted	0.6471	-27.3519	0.7351	-24.0582	0.0038	-0.1604	0.0038	-0.1604

Appendix : Schedule of non-recurring gains and losses

Item	Amount
Non-operation expense	-30,304.58
Total	-30,304.58

Supplement Information II Analyse of change difference statement

Analysis on the projects that the data change rate in the Accounting Statement reached over 30% (including 30%), and accounted for more than 5%(inclusive of a 5%)of the day assets amount in the Statement of the Company or more than 10% (including 10%)of the total profit in the report period:

Item	2007.6.30.	2006.12.31.	The amount of difference changes	The rate of difference changes (%)	Cause analysis.
Currency funds.	3,857,509.59	1,781,405.86	2,076,103.73	116.54	Note 1
Account receivable	57,283,842.46	38,727,924.63	18,555,917.83	47.91	Note 2
Inventory	34,044,404.84	24,469,376.20	9,575,028.64	39.13	Note 3
Fincianceal expenses	587,462.35	8,964,789.75	-8,377,327.40	-93.45	Note 4
Business profit	1,461,094.35	-61,423,064.28	62,884,158.63	102.38	Note 5
Net profit	1,127,595.68	-61,490,769.85	62,618,365.53	101.83	Note 5

1.Monetary fund ncreased due to the Company strengthened the efforts in collection of energy & power fee;

2. Accounts receivables increased because in November 2006 the project L-35 Glass & Pipe was in production in the first half of this year and accounts receivables increased;

3.Inventory increased because after the production of the project L-35 Glass & Pipe, the demand for inventory increased;

4. Financial cost reduced because in November 2006 the completion of assets reorganization offsetting the debt in Baoshi Corporation with the joint venture equity, the corresponding fee of fund occupation no longer extracted;

5.Operating profit and net profit increased due to in November 2006 the completion of assets reorganization, and equity in the joint venture company was transferred to Baishi Corporation. The Company will no longer bear the investment losses.

Supplement information (III)

Detailed statement of provision for depreciation of assets

Prepared by : Shijiazhuang Baoshi Electronic Glass Co., Ltd.

June 30, 2007 Unit : RMB

Item	Book balance at the year beginning	Withdrawal amount planned in current period	Decreased amount in current period		Book balance at the period end
			Switch back	Switch cancellation	
I.Provision for bad debts	37,111,002.00				37,111,002.00
II.Provision for falling price of inventory	34,650,002.07		64,475.85		34,585,526.22
III.Provision for devaluation of financial asset available for sales					
IV.Provision for devaluation of held-to maturity investment					
V.Provision for devaluation of long-term equity investment					
VI.Provision for devaluation of investing property					
VII.Provision for devaluation of fixed assets	3,077,055.86				3,077,055.86
VIII.Provision for devaluation of engineering materials					
IX.Provision for devaluation of construction in progress					
X.Provision for devaluation of productive biological asset					
Including : Provision for devaluation of mature productive biological asset					
XI.Provision for devaluation of oil asset					
XII.Provision for devaluation of intangible asset					
XIII.Provision for devaluation of goodwill					
XIV.Other					
Total	74,838,059.93		64,475.85		74,773,584.08

Shijiazhuang Baoshi Electronic Glass Co., Ltd.

August 24, 2007