

Auditor's Report

Zhong Xi Shen Zi (2012) No. 0170

To all shareholders of Shijiazhuang Baoshi Electronic Glass Co., Ltd.:

We audited accompanying financial statements of Shijiazhuang Baoshi Electronic Glass Co., Ltd. (hereinafter referred to as "the Company"), including balance sheet and consolidated balance sheet as at December 31, 2011, profit statement and consolidated profit statement, cash flow statement and consolidated cash flow statement, statement of changes in shareholders' equity and consolidated statement of changes in stockholders equity for the year then ended and the notes to financial statements.

I. The responsibility of the management for financial statements

Preparation of financial statements in accordance with the Accounting Standards for Business Enterprises is the responsibility of the management of the Company. Such responsibility includes:

- (1) Prepare the financial statements according to business enterprises regulation, so that making reasonable accounting estimate.
- (2) design, implementation and maintenance of internal control related to the preparation of financial statements so that financial statements are free from material misstatement caused by fraudulent practices or errors;

II. Responsibility of certified public accountants

We are responsible for expressing opinions on financial statements based on our audit. We conducted audit in accordance with the audit criteria for Chinese certified public accountants. The audit criteria for Chinese certified public accountants require us to abide by professional ethics, plan and conduct audit to obtain reasonable assurance as to whether financial statements are free from material misstatement.

Audit involves carrying out audit procedure to obtain the audit evidences about the amounts and disclosure of financial statements. The selected audit procedure relies on the judgment of certified public accountants, including the appraisal of risk of material misstatement of financial statements caused by fraudulent practices or errors. While appraising risks, we considered the internal control related to the preparation of financial statements to design proper audit procedure but the purpose is not to express an opinion on the effectiveness of internal control. The audit also includes the appraisal of suitability of accounting policies selected by the management, the reasonableness of accounting estimate and the overall presentation of financial statements.

We believe that the audit evidences obtained by us are full and appropriate and provide a basis for expressing audit opinion.

III. Audit opinion

In our opinion, the financial statements of the Company have been prepared in accordance with the provisions of Accounting Standards for Business Enterprises and give a fair view, in all material aspects, of the financial position of the Company as at December 31, 2011 and its operating results and cash flow for the year then ended.

Zhongxi Certified Public Accountants Co., Ltd.

Chinese C.P.A.: Wang Yingwei

Chinese C.P.A.: Shi Changhai

Beijing China

February 28, 2012

Balance Sheet

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

December 31, 2011

Unit: RMB

Items	Year-end balance		Year-beginning balance	
	Consolidated	Parent Company.	Consolidated	Parent Company.
Current asset:				
Monetary fund	15,847,225.73	2,267,777.81	10,211,579.96	5,070,664.29
Settlement provision				
Outgoing call loan				
Trading financial assets	0.00			
Bill receivable	450,000.00	450,000.00		
Account receivable	12,293,588.86	10,244,977.45	4,981,279.84	3,368,199.03
Prepayments	5,672,207.76	3,397,641.09	2,126,128.23	687,262.23
Insurance receivable				
Reinsurance receivable				
Provisions of Reinsurance contracts receivable				
Interest receivable				
Dividend receivable				
Other account receivable	24,349,986.54	20,745,751.98	25,277,592.84	16,361,345.94
Repurchasing of financial assets				
Inventories	141,982,009.03	140,601,359.82	144,051,281.62	142,143,136.10
Non-current asset due in 1 year				
Other current asset	58,153,190.35	153,190.35	58,293,867.02	293,867.02
Total of current assets	258,748,208.27	177,860,698.51	244,941,729.51	167,924,474.61
Non-current assets:				
Loans and payment on other's behalf disbursed				
Disposable financial asset				
Expired investment in possess				
Long-term receivable				
Long term share equity investment	150,000.00	79,419,306.96	150,000.00	69,319,306.96
Property investment	17,817,841.32	8,660,614.54	21,405,402.42	11,604,353.64
Fixed assets	52,896,805.40	32,773,520.42	76,922,456.31	60,484,076.88
Construction in progress	22,302,509.06	21,561,509.06		

Engineering material				
Fixed asset disposal				
Production physical assets				
Gas & petrol				
Intangible assets	11,498,305.96	11,498,305.96	11,825,519.68	11,825,519.68
R & D petrol				
Goodwill				
Long-germ expenses to be amortized			7,664,359.26	7,664,359.26
Differed income tax asset	10,698,421.29	10,698,421.29	11,965,300.28	11,965,300.28
Other non-current asset				
Total of non-current assets	115,363,883.03	164,611,678.23	129,933,037.95	172,862,916.70
Total of assets	374,112,091.30	342,472,376.73	374,874,767.46	340,787,391.31
Current liabilities				
Short-term loans				
Loan from Central Bank				
Deposit received and hold for others				
Call loan received				
Trade off financial liabilities				
Bill payable				
Account payable	13,442,371.13	16,470,725.61	14,633,283.17	10,932,484.29
Advance payment	1,060,332.76	1,025,332.76	9,227,402.63	9,227,402.63
Selling of repurchased financial assets				
Fees and commissions receivable				
Employees' wage payable	4,269,284.78	4,229,855.72	4,477,561.33	4,438,132.27
Tax payable	804,265.53	1,139,016.69	1,699,764.65	1,102,144.85
Interest payable				
Dividend payable				
Other account payable	31,601,289.10	106,445,047.72	39,979,810.93	111,274,641.41
Reinsurance fee payable				
Insurance contract provision				
Entrusted trading of securities				
Entrusted selling of securities				
Non-current liability due in 1 year				
Other current liability	63,009,000.00		66,227,000.00	
Total of current liability	114,186,543.30	129,309,978.50	136,244,822.71	136,974,805.45
Non-current liabilities:				
Long-term loan				

Bond payable				
Long-term payable				
Special payable				
Expected liabilities				
Differed income tax liability				
Other non-current liabilities	105,000.00	105,000.00	125,000.00	125,000.00
Differed income	105,000.00	105,000.00	125,000.00	125,000.00
Total of liability	114,291,543.30	129,414,978.50	136,369,822.71	137,099,805.45
Owners' equity				
Share capital	383,000,000.00	383,000,000.00	383,000,000.00	383,000,000.00
Capital reserves	387,380,227.13	358,047,576.01	387,380,227.13	358,047,576.01
Less: Shares in stock				
Special reserves				
Surplus reserves	27,454,788.05	32,204,150.60	27,454,788.05	32,204,150.60
Common risk provision				
Undistributed profit	-565,356,251.87	-560,194,328.38	-577,206,604.52	-569,564,140.75
Different of foreign currency translation				
Total of owner's equity belong to the parent company	232,478,763.31	213,057,398.23	220,628,410.66	203,687,585.86
Minority shareholders' equity	27,341,784.69		17,876,534.09	
Total of owners' equity	259,820,548.00	213,057,398.23	238,504,944.75	203,687,585.86
Total of liabilities and owners' equity	374,112,091.30	342,472,376.73	374,874,767.46	340,787,391.31

Profit statement

Prepared by : Shijiazhuang Baoshi Electronic Glass Co., Ltd. January -December 2011 Unit: RMB

Items	Report period		Same period of the previous year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from the key business	104,425,459.95	87,321,555.35	78,353,207.42	73,618,594.61
Incl: Business income	104,425,459.95	87,321,555.35	78,353,207.42	73,618,594.61
Interest income				
Insurance fee earned				
Fee and commission received				
II. Total business cost	89,559,250.80	76,652,212.94	87,491,207.92	83,752,671.22
Incl: Business cost	67,742,417.66	56,928,897.52	74,875,455.91	71,488,402.74
Interest expense				
Fee and commission paid				
Insurance discharge payment				
Net claim amount paid				
Insurance policy dividend paid				

Insurance policy dividend paid				
Reinsurance expenses				
Business tax and surcharge	2,604,641.25	1,834,692.62	1,548,189.14	1,122,735.99
Sales expense	788,130.79	788,130.79	1,603,465.68	1,603,465.68
Administrative expense	21,162,149.00	16,619,031.25	16,086,997.88	14,661,236.79
Financial expenses	-2,771,466.32	458,793.30	-1,190,616.58	309,114.13
Asset impairment loss	33,378.41	22,667.46	-5,432,284.11	-5,432,284.11
Add: Gains from change of fair value ("-" for loss)				
Investment gain ("-" for loss)				
Incl: investment gains from affiliates				
Gains from currency exchange ("-" for loss)				
III. Operational profit ("-" for loss	14,866,209.15	10,669,342.41	-9,138,000.50	-10,134,076.61
Add: Non-business income	74,750.90	74,750.90	15,091,514.48	27,888.90
Less: Non business expenses	107,502.41	107,401.94	8,509.81	8,509.81
Incl: Loss from disposal of non-current assets				
IV.Total profit("-" for loss)	14,833,457.64	10,636,691.37	5,945,004.17	-10,114,697.52
Less: Income tax expenses	2,697,854.39	1,266,879.00	1,879,572.50	
V. Net profit ("-" for net loss)	12,135,603.25	9,369,812.37	4,065,431.67	-10,114,697.52
Net profit attributable to the owners of parent company	11,850,352.65	9,369,812.37	1,519,255.13	-10,114,697.52
Minority shareholders' equity	285,250.60		2,546,176.54	
VI. Earnings per share:				
(I) Basic earnings per share	0.031		0.004	-0.026
(II)Diluted earnings per share	0.031		0.004	-0.026
VII. Other comprehensive income			2,189,724.14	2,189,724.14
VIII. Total comprehensive income	12,135,603.25	9,369,812.37	6,255,155.81	-7,924,973.38
Total comprehensive income attributable to the owner of the parent company	11,850,352.65	9,369,812.37	3,708,979.27	-7,924,973.38
Total comprehensive income attributable minority shareholders	285,250.60		2,546,176.54	

Enterprise combination under same controlling at the end of current period. the net profit for the enterprise to be combined is 0.00.

Cash flow statement

Prepared by : Shijiazhuang Baoshi Electronic Glass Co., Ltd. January-December 2011

Unit: RMB

Items	Report period		Same period of the previous year	
	Consolidated	Parent company	Parent company	Parent company
I.Cash flows from operating activities				
Cash received from sales of goods or rendering of services	76,855,570.59	68,839,202.75	86,312,495.45	85,072,495.45
Net increase of customer deposits and capital kept for brother company				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial bodies				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal				
Cash received as interest, processing fee and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Tax returned		120,316.50	19,591.79	19,591.79
Other cash received from business operation	3,838,790.75	870,722.56	16,117,083.81	10,592,565.16
Sub-total of cash inflow	80,694,361.34	69,830,241.81	102,449,171.05	95,684,652.40
Cash paid for purchasing of merchandise and services	45,420,121.49	33,454,959.55	68,176,995.68	64,087,762.18
Net increase of client trade and advance				
Net increase of savings n central bank and brother company				
Cash paid for original contract claim				
Cash paid for interest, processing fee and commission				
Cash paid for policy				

dividend				
Cash paid to staffs or paid for staffs	16,773,484.28	16,602,816.82	15,008,669.67	14,970,212.17
Taxes paid	14,094,727.48	10,734,698.65	6,277,589.44	5,752,936.44
Other cash paid for business activities	6,244,324.77	1,731,685.41	2,616,369.89	2,516,066.89
Sub-total of cash outflow from business activities	82,532,658.02	62,524,160.43	92,079,624.68	87,326,977.68
Cash flow generated by business operation, net	-1,838,296.68	7,306,081.38	10,369,546.37	8,357,674.72
II.Cash flow generated by investing				
Cash received from investment retrieving				
Cash received as investment gains				
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets			30,294.12	30,294.12
Net cash received from disposal of subsidiaries or other operational units				
Net cash received from disposal of subsidiaries or other operational units				
Sub-total of cash inflow due to investment activities			30,294.12	30,294.12
Cash paid for construction of fixed assets, intangible assets and other long-term assets	226,057.55	8,967.86	75,040.42	37,803.42
Cash paid as investment		10,100,000.00		8,000,000.00
Net increase of loan against pledge				
Net cash received from subsidiaries and other operational units				
Other cash paid for investment activities				
Sub-total of cash outflow due to investment activities	226,057.55	10,108,967.86	75,040.42	8,037,803.42
Net cash flow generated by investment	-226,057.55	-10,108,967.86	-44,746.30	-8,007,509.30
III.Cash flow generated by financing				
Cash received as investment	4,900,000.00			
Incl: Cash received as				

investment from minor shareholders				
Cash received as loans	2,800,000.00			
Cash received from bond placing				
Other financing –related ash received				
Sub-total of cash inflow from financing activities	7,700,000.00			
Cash to repay debts			5,000,000.00	
Cash paid as dividend, profit, or interests				
Incl: Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities				
Sub-total of cash outflow due to financing activities			5,000,000.00	
Net cash flow generated by financing	7,700,000.00		-5,000,000.00	
IV. Influence of exchange rate alternation on cash and cash equivalents				
V.Net increase of cash and cash equivalents	5,635,645.77	-2,802,886.48	5,324,800.07	350,165.42
Add: balance of cash and cash equivalents at the beginning of term	10,211,579.96	5,070,664.29	4,886,779.89	4,720,498.87
VI.Balance of cash and cash equivalents at the end of term	15,847,225.73	2,267,777.81	10,211,579.96	5,070,664.29

Consolidated Statement on Change in Owners' Equity

Prepared by : Shijiazhuang Baoshi Electronic Glass Co., Ltd. 2011 Unit: RMB

Items	Amount of the Current term										Amount of the previous term									
	Owner’s equity Attributable to the Parent Company								Minor shareh olders’, equity	Total of owner s’, equity	Owner’s equity Attributable to the Parent Company							Minor shareh olders’, equity	Total of owner s’, equity	
	Share Capita l	Capita l reserv es	Less: Shares in stock	Specia lized reserv e	Surplu s reserv es	Com mon risk provis ion	Attrib utable profit	Other			Share Capita l	Capita l reserv es	Less: Shares in stock	Specia lized reserv e	Surplu s reserv es	Com mon risk provis ion	Attrib utable profit			Other
I.Balance at the end of last year	383,00 0,000.0 0	387,38 0,227.1 3			27,454, 788.05		-577,20 6,604.5 2		17,876, 534.09	238,50 4,944.7 5	383,00 0,000.0 0	385,19 0,502.9 9			27,454, 788.05		-578,72 5,859.6 5		15,330, 357.55	232,24 9,788.9 4
Add: Change of accounting policy																				
Correcting of previous errors																				
Other																				
II.Balance at the beginning of current year	383,00 0,000.0 0	387,38 0,227.1 3			27,454, 788.05		-577,20 6,604.5 2		17,876, 534.09	238,50 4,944.7 5	383,00 0,000.0 0	385,19 0,502.9 9			27,454, 788.05		-578,72 5,859.6 5		15,330, 357.55	232,24 9,788.9 4
III.Changed in the current year							11,850, 352.65		285,25 0.60	21,315, 603.25		2,189,7 24.14					1,519,2 55.13		2,546,1 76.54	6,255,1 55.81
(I) Net profit							11,850, 352.65		285,25 0.60	12,135, 603.25							1,519,2 55.13		2,546,1 76.54	4,065,4 31.67
(II) Other misc.income												2,189,7								2,189,7

												24.14								24.14
Total of (I) and (II)							11,850,352.65		285,250.60	12,135,603.25		2,189,724.14					1,519,255.13		2,546,176.54	6,255,155.81
(III) Investment or decreasing of capital by owners									9,180,000.00	9,180,000.00										
1. Capital inputted by owners									9,180,000.00	9,180,000.00										
2. Amount of shares paid and accounted as owners' equity																				
3. Other																				
(IV) Profit allotment																				
1. Providing of surplus reserves																				
2. Providing of common risk provisions																				
3. Allotment to the owners (or shareholders)																				
4. Other																				
(V) Internal transferring of owners' equity																				
1. Capitalizing of capital reserves (or to capital shares)																				
2. Capitalizing of surplus																				

reserves (or to capital shares)																				
3. Making up losses by surplus reserves.																				
4. Other																				
(VI) Special reserves																				
1. Provided this year																				
2. Used this term																				
(VII) Other																				
IV. Balance at the end of this term	383,000,000.00	387,380,227.13			27,454,788.05		-565,356,251.87		27,341,784.69	259,820,548.00	383,000,000.00	387,380,227.13			27,454,788.05		-577,206,604.52		17,876,534.09	238,504,944.75

Statement of change in owner's Equity of the Parent Company

Prepared by : Shijiazhuang Baoshi Electronic Glass Co., Ltd. 2011 Unit: RMB

Items	Amount of the Current term								Amount of the previous term							
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Total of owners' equity	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Total of owners' equity
I. Balance at the end of last year	383,000,000.00	358,047,576.01			32,204,150.60		-569,564,140.75	203,687,585.86	383,000,000.00	355,857,851.87			32,204,150.60		-559,449,443.23	211,612,559.24
Add: Change of accounting policy																
Correcting of previous errors																

Other																
II.Balance at the beginning of current year	383,000,000.00	358,047,576.01			32,204,150.60		-569,564,140.75	203,687,585.86	383,000,000.00	355,857,851.87			32,204,150.60		-559,449,443.23	211,612,559.24
III.Changed in the current year							9,369,812.37	9,369,812.37		2,189,724.14					-10,114,697.52	-7,924,973.38
(I) Net profit							9,369,812.37	9,369,812.37							-10,114,697.52	-10,114,697.52
(II) Other misc.income										2,189,724.14						2,189,724.14
Total of (I) and (II)							9,369,812.37	9,369,812.37		2,189,724.14					-10,114,697.52	-7,924,973.38
(III) Investment or decreasing of capital by owners																
1. Capital inputted by owners																
2. Amount of shares paid and accounted as owners' equity																
3. Other																
(IV) Profit allotment																
1.Providing of surplus reserves																
2.Providing of common risk provisions																
3. Allotment to the owners																

(or shareholders)																
4. Other																
(V) Internal transferring of owners' equity																
1. Capitalizing of capital reserves (or to capital shares)																
2. Capitalizing of surplus reserves (or to capital shares)																
3. Making up losses by surplus reserves.																
4. Other																
(VI) Special reserves																
1. Provided this year																
2. Used this term																
(VII) Other																
IV. Balance at the end of this term	383,000,000.00	358,047,576.01			32,204,150.60		-560,194,328.38	213,057,398.23	383,000,000.00	358,047,576.01			32,204,150.60		-569,564,140.75	203,687,585.86

Shijiazhuang Baoshi Electronic Glass Co., Ltd.

Notes to Financial statements

As of December 31,2011

(Referring to notes to consolidated financial statements unless separately stated.
Currency: RMB)

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 Controllin Co.) to exchange it for the componentfactory of the Controlling Co. engaged in the production of kinescope part of color TV.

The Sixth of the fifth board of directors meeting examined and adopted the proposal of investing and establishing wholly-owned subsidiaries company in august, 2010. In November, 2010, The company invested RMB 800 millions to establish wholly-owned subsidiary company Hebei Xubao Construction Installation Co., Ltd. The contents of the company are: Building Design, Construction, Engineering Consulting, Construction of anti-corrosion insulation, Construction of Urban Road Lighting, Indoor and Outdoor Decoration, Fire Protection Construction, Air Conditioning Installation, Building Intellectualization Project, Landscape Construction. Mechanical and Electrical Equipment, Pipeline(except for pressure pipeline) Installation, Electric Instrument Installation, Construction Materials(except for wood), Mechanical and Electrical Products, Electronic components and spare parts sales, Domestic services(except for the professional intermediaries), House Leasing.(the matters that laws, regulations, and the State Council decided to ban or limit should not operate, the matters that waiting for other departments to approve, Can operate after being approved).

Dongxu Group Co., Ltd. acquired 22.94% state-owned equity of Shijiazhuang Baoshi Electronic Group Co., Ltd. in 2011 after acquisition of 47.06% state-owned equity thereof and thus held Shijiazhuang Baoshi Electronic Group Co., Ltd. and became the indirect controller of the company

Dongxu Group Co., Ltd. supported the Company to actively develop equipment manufacturing and transferred the processing and manufacturing and partial installation of key parts of complete set of glass equipment for liquid crystal display, i.e., A-frames and overflowing bricks to the Company in 2011.

After examination and adoption by the 14th meeting of the sixth board of directors of the Company, the Company established Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. in December 2011. Its registered capital is RMB 10 million. The Company contributed capital of RMB 5.1 million, which accounts for 51% of registered capital. Dongxu Group Co., Ltd. contributed capital of RMB 4.9 million, which accounts for 49% of registered capital. The meeting examined and adopted the establishment of a wholly-owned subsidiary called Wuhu Dongxu Optoelectronic Technology Co., Ltd. with registered capital of RMB 5 million. The Company holds 100% equity of this company. After examination and adoption by the 15th meeting of the sixth board of directors of the Company, Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd., a controlled subsidiary of the Company, established Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. Its registered capital is RMB 10 million. Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. contributed capital of RMB 5.1 million, which accounts for 51% of registered capital. Dongxu Group Co., Ltd. contributed capital of RMB 4.9 million, which accounts for 49% of registered capital.

As of December 31, 2011, The company has set up the wholly-owned subsidiary of Hebei Xubao Construction Installation Engineering Co., Ltd. and Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. the controlling Subsidiary of Shijiazhuang Baoshi Colour Bulb Co., Ltd. and Wuhu Optoelectronic Equipment & Technology Co., Ltd. and a grandson company shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd. and Components Shop, Machine Repair Shop, Tools and Moulds Shop, Electronic Equipment Department, Second Stage of Bulb Shop. Registration No. of Business License: 130000000001040, Legal Representative: Li Zhaoting, Address: No.9, Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province, Business scope: production and sales of electric vacuum glass components and supporting electronic components; export of self-produced goods of the Company, and import of mechanical equipment, spare parts, and raw and auxiliary materials needed by the Company (other than goods and technologies that are limited to operate or prohibited to import and export by China); production and sales of hydrogen, oxygen, and nitrogen.

II. Major accounting policies, accounting estimates and prophase errors of the Company

1. Basis for preparing financial statements:

The Company's financial statement is prepared on the basis of sustainable operation, and recognized and measured based on transactions and events that actually occur and in accordance with provisions of the Accounting Standards of Business Enterprises and its application guidelines issued by the Ministry of Finance on February 15, 2006.

2. Statement on complying with enterprise accounting standards

The Company state: the financial statements prepared are in line with the requirements in enterprise accounting standards in line with of system, and have truly and completely reflected of the financial status, operational results, cash flow, and other relevant information.

3. Accounting year: from January 1 to December 31 as one accounting year.

4. Standard currency for bookkeeping: The Company takes RMB as the standard currency for bookkeeping.

5. Accounting treatment methods of the merger of enterprises under the control of the same company and different companies

Enterprise merger refers to the transaction or event where two or more separate enterprises merge to form one reporting body. It is divided into the merger of enterprises under the control of the same company and different companies.

(1) Merger of enterprises under the control of the same company

The Company's assets and liabilities obtained from the enterprise merger are measured according to the book value of the merged party on the date of merger. The balance between the book value of net assets and the merger consideration price paid (or an aggregate of par value amount of issued shares) is used to adjust the capital reserve. Where the capital reserve is insufficient to deduct, adjust the retained earnings. Costs directly related to the merger of the merger party are recorded to the current profit and loss. For the merger of majority interests, assets and liabilities of the merger party are measured in the consolidated balance sheet according to their book values.

(2) Merger of enterprises under the control of different companies

The merger cost is the fair value of the paid assets, occurred or incurred liabilities, and issued equity securities which are used to obtain the control right over the merged party on the date of purchase. For enterprise merger achieved through multiple exchanges and transactions, the merger cost is the sum of all costs of each individual transaction. Costs directly related to the merger of the merger party are recorded to the current profit and loss.

① For mergers, the balance of the merger cost over the obtained recognizable net assets and fair value quota of the merged party during the merger is recognized as goodwill. The balance of the merger cost smaller than the obtained recognizable net assets and fair value quota of the merged party during the merger is recorded to the current profit and loss.

② For the merger of majority interests, the recognizable assets and liabilities of the merged party are listed in the consolidated balance sheet according to the fair value determined in the merger. The balance of the merger cost over the obtained recognizable net assets and fair value quota of the merged party during the merger is recognized as goodwill in the consolidated balance sheet on the date of purchase. The balance of the merger cost smaller than the obtained recognizable net assets and fair value quota of liabilities of the merged party during the merger is recorded to the current profit and loss.

6. Compiling method of consolidated accounting statements

The Company compiles consolidated accounting statements according to the provisions of Accounting Standards of Business Enterprises No. 33 – Consolidated Financial Statement stipulated by the Ministry of Finance.

The Company begins to merge the revenues, costs, and profits of the corresponding period from the date when the Company obtains the actual control right over the subsidiary, and stops to merge the revenues, costs, and profits of the corresponding period from the date when the Company loses the actual control right over the subsidiary. All major balances, transactions and unrealized profits in the Group have been offset during the compiling of consolidated accounting statements.

The owner's interests of subsidiaries that are incorporated in the merger and that do not belong to the Group are listed in the minority interests under the subject of owner's interests of the consolidated balance sheet. The net profit and loss of the current period that belong to minority interests are listed in the minority profit and loss under the net profit subject of the consolidated income statement.

7.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.

8.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. On the balance sheet day, foreign currency monetary item shall be converted at the benchmark exchange rate on the balance sheet day. The exchange difference resulting from difference between spot exchange rate and that recognized initially or the benchmark exchange rate on the prior balance sheet day shall be calculated into the profit and loss of current period; foreign currency non-monetary item measured by historical cost shall still be converted at the spot exchange rate on the transaction day and the recording currency sum shall not be changed. The exchange difference resulting from foreign currency loan related to qualified assets under acquisition, construction and production shall be handled by the principle of borrowing costs capitalization.

9.Financial tools

(1) Classification, confirmation and Measurement method of Financial tools

1) Classification of initial confirmation of financial assets and financial liabilities.

A financial instrument refers to a contract that forms the financial assets of an enterprise and forms the financial liabilities or equity instruments of other enterprises. When a company becomes a party to a financial instrument contract, a financial asset or liability is recognized.

Financial assets are classified into four categories during the initial recognition: (1) financial assets that are measured by their fair values and whose changes are recorded in the current profit and loss, including tradable financial assets and financial assets that are specified to be measured by their fair values and whose changes are recorded in the current profit and loss; (2) held-to-maturity investments; (3) loans and accounts receivable; (4) financial assets available for sale.

Financial liabilities are classified into two categories during the initial recognition: (1) financial liabilities that are measured by their fair values and whose changes are recorded in the current profit and loss, including tradable financial liabilities and financial liabilities that are specified to be measured by their fair values and whose changes are recorded in the current profit and loss; (2) other financial liabilities.

2) Measurement method of financial Tools

The Company measures financial assets by their fair values during the initial recognition. During the subsequent measurements, the measurement methods vary with assets.

(1) For financial assets that are measured by their fair values and whose changes are recorded in the current profit and loss, the initial amount is recognized by their fair values at the time of obtainment and the related transaction costs are recorded into the profit or loss of the current period. The paid cash dividends or bond interests included in the payment are separately recognized as accounts receivable. Interests or cash dividends obtained during the holding period are recognized as investment revenues. The gain or loss that is measured by the fair value on the date of balance sheet and is formed by the changes of the fair value is recorded into the profit or

loss of the current period. During the disposal of financial assets, the balance between the fair value and the initial recorded amount is recognized as investment revenues. At the same time, the changed profit and loss of the fair value are adjusted.

(2) For the held-to-maturity investments of the Company, the sum of fair values of financial assets at the time of obtainment and the related transaction fees are recognized as the initial recognition amount. Where the paid bond interests are included in the payment, the paid bond interests are separately recognized as accounts receivable. During the holding period, the interest income is calculated and recognized according to the actual interest rate and amortized cost, and recorded into the investment revenue. During the disposal of financial assets, the balance between the price at the time of obtainment and the book value is recognized as the investment revenue.

(3) For accounts receivable generated by selling goods or providing services, the initial amount is recognized by the price stipulated in the contract or agreement. During the holding period, the subsequent measurement is conducted based on the amortized cost and actual interest rate method. During the collection and disposal of accounts receivable, the balance between the price at the time of obtainment and the book value is recorded into the current profit and loss.

(4) For financial assets available for sale, the sum of fair values of financial assets at the time of obtainment and the related transaction fees are recognized as the initial recognition amount. Where the paid bond interests or cash dividends are included in the payment, the paid bond interests or cash dividends are separately recognized as accounts receivable. Interests or cash dividends obtained during the holding period are recognized as investment revenues. The gain or loss that is measured by the fair value on the date of balance sheet and is formed by the changes of the fair value is directly recorded into the capital reserve. During the disposal of financial assets, the balance between the price at the time of obtainment and the book value is recognized as the investment revenue. At the same time, the changes of the fair value that is originally recorded into the capital reserve are carried forward to the investment revenue.

Financial assets that are measured by their fair values and whose changes are recorded in the current profit and loss are recognized by their fair values at the time of obtainment and the related transaction fees are directly recorded into the profit or loss of the current period. During the holding period, the subsequent measurement is conducted based on the fair value. For other financial liabilities, the initial amount is recognized by the sum of their fair values at the time of obtainment and related transaction fees. During the holding period, the measurement is conducted based on the amortized cost and actual interest rate method.

(2) Recognition basis and measurement method of the transfer of financial assets

1) Recognition of the transfer of financial assets:

In the following situations, the Company recognizes the transfer of financial assets and terminates the recognition of financial assets when the Company transfers almost all the risks and rewards of the ownership of financial assets to the transferee.

① The Company sells financial assets by means of non-recourse.

② The Company sells financial assets and enters into an agreement with the buyer at the same time, which stipulates that the Company will repurchase the financial assets at their fair values on the date when the prescribed term ends.

③ The Company sells financial assets and enters into an agreement of put option with the buyer at the same time. The put option is a material out-of-the-money option from the contract terms.

2) Measurement of the transfer of financial assets

When financial assets are transferred overall, the balance of the book value of the transferred financial assets over the received consideration price and accumulated fair value changes that are originally and directly recorded to the owner's equity is recognized and recorded into the current profit and loss.

When financial assets are transferred partly, the overall book value of the transferred financial assets, between the derecognized part of and the non-derecognized part, is apportioned according to their relative fair values respectively, and according to the book value of the derecognized part and the received consideration of the derecognized part and the corresponding derecognition sum in the accumulated fair value alteration amount that is directly included into the owner's rights and interests originally, it should be recognized after apportionment to this accumulated amount according to the relative fair value of the derecognized part in the financial assets.

(3) Condition of terminating the recognition of financial liabilities

Only if the existing obligations of financial liabilities have been removed wholly or partly, the financial liabilities can be terminated to recognize wholly or partly.

(4) Determination of fair values of financial assets and financial liabilities

If there's an active market for financial assets or liabilities, the fair value is recognized by the quotation in the active market. If there's no an active market for financial assets or liabilities, the fair value is recognized by the evaluation. For initially obtained or originative financial assets or undertaken financial liabilities, the fair value is recognized based on the market transaction price. Where the fair value of financial instruments is recognized by the future cash flow discount method, the discount rate is the market yield rate of other financial instruments that are substantially same in contract terms and features. Where the short-term accounts receivable whose interest rate is not indicated and the balance between the present value of accounts payable and the actual transaction price is small, the measurement is conducted based on the actual transaction price.

(5) Test and extraction of impairment provision of financial assets

On the date of the balance sheet, the Company checks the book value of financial assets other than the financial assets that are measured by their fair values and whose changes are recorded in the current profit and loss. Where there is an objective evidence to indicate that the financial assets are impaired, the impairment provision is accrued. Financial assets whose single amount is great are conducted with an impairment test separately. Financial assets whose single amount is not great can be conducted with an impairment test either separately or jointly in financial asset portfolios with the feature of credit risks.

For loans, accounts receivable, and held-to-maturity investments, the impairment provision is accrued based on the balance between the present value and the book value of the estimated future cash flow. If there is an objective evidence to indicate that the value has been restored after the accrual, the previously-recognized impairment loss can be recovered and recorded into the current profit and loss.

If an impairment occurs to financial assets available for sale, even if this financial asset is not derecognized, the accumulated losses that are caused by the reduced fair value and that are originally and directly recorded in the owner's interests should be transferred out and recorded into the current profit and loss, Among which, for the debt instrument available for sale, if the fair

value increases subsequently, the original impairment provision can be recovered and recorded into the current profit and loss. For the equity instrument available for sale, the impairment provision shall not be recovered through the profit or loss.

10.Account receivables

(1) Account receivable belong t individual significance and individually assessed for impairment

Judgment criteria or amount standard of material specific amount or amount criterial	Accounts receivable whose balance ranks the top five or whose amount of receivables accounts for over 10% of total accounts receivable.
Provision method with material specific amount and provision of specific bad debt preparation	The Company conducts a separate impairment test on accounts receivable whose single amount is great. Where there is an objective evidence to indicate that the impairment occurs, the impairment loss is recognized based on the balance of the present value smaller than the book value of the future cash flow, and the bad debt provision is accrued.

(2) Account receivable belong t individual significance and non-material and individually assessed for impairment

The company conducted an impairment test on significant or insignificant receivables and set aside no bad ebt provisions for those of which there were no objective evidences indicating impairment.

Account receivable with non-material specific amount but specific bad debt preparation

(3) Account receivable with non-material specific amount but specific bad debt preparation

Reason for bad debt provision	Single receivables that the amount is not significant and appropriation of bad debt provisions by group cannot reflect their risk characteristics
Method of appropriation of bad debt provision	How much the present value of the future cash flows is lower than their book value.

11. 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.

12. Long-term equity investment

Long-term equity investments includes the equity investment on subsidiaries, consolidated enterprises and joint enterprises and other equity investments prepared to hold more than one year.

(1) Initial measures:

(i) 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.

Combination of businesses not under common control shall have as the investment cost the fair value of the assets expended, the liabilities incurred or assumed and the equity securities issued to acquire the control over the business on the purchase day. If the fair value of the purchase cost is higher than that of the purchased part of the identifiable net assets in business combination, the difference shall be seen as good will while if it is lower, the difference shall be recorded in the profit and loss of the period.

(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 such combination by cash, the purchase price actually expended shall be taken as the investment cost; if by issuing equity securities, it shall be the fair value of such securities; for the long-term equity investments by investors, the value set by the investment contract or agreement shall be the investment cost unless the set value is not fair; for the long-term, essentially commercial and fair value reliably measurable equity investments acquired by means of non-monetary assets exchange, the fair value and the expended taxes shall be the investment cost and the difference between the book value of the expended assets and the fair value shall be recorded in the profit and loss of the period; and for the long-term equity investments arising of debts restructuring, the fair value shall be the investment cost and the difference between the fair

value and the book value of the restructured debts shall be recorded in the profit and loss of the period.

(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, 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. Adjust the book value of long-term equity investment and include it in owner's equity.

(3) Basis for confirming joint control and significant impact towards the invested unit

Joint control refers to the common control towards certain economic activity in accordance with agreement of contract. When the outward investment of company conforms to the following situations, confirm the joint control towards the invested unit: ① any joint operational party shall not separately control the production and operation activities of the joint enterprise; ② any strategic decision related to the basic operation activity of the joint enterprise shall be agreed by all joint operational parties; ③ all joint operational parties may appoint any of joint operational parties to manage the daily activities of the joint enterprise by contract or agreement; nevertheless, the operational party shall exercise the right of management within the scope of financial and operational policies that have been jointly approved by all joint operational parties.

When the company's outward investment conforms to the following situations, confirm the significant impact towards the invested unit: ① having representatives in such authority institution as the Board of Directors in the invested unit; ② participating in the strategy formulation process of the invested unit, including formulation of dividend distribution policy; ③ occurring significant trade with the invested unit; ④ dispatching management staff to the invested unit; ⑤ providing key technology materials to the invested unit. When the company directly holds more than 20% but less than 50% shares with right to vote or by subsidiary, it is generally recognized to have significant impact on the invested unit.

(4) 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.

13.Real estate investment

Investment real estate refers to the properties held for the purpose of generating rent and/or capital appreciation. The company's investment real estate includes the land use right rented and the constructions leased.

(1) Recognition of the investment real estate

The investment real estate shall be recognized unless it meets the following requirements simultaneously: ① The economic benefits pertinent to the investment property are likely to flow into the enterprise; and ② The cost of the investment real estate can be reliably measured.

(2) Initial measurement of the investment real estate

① The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset.

② The cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use.

③ The cost of an investment real estate obtained by other means shall be recognized in accordance with the relevant accounting standards.

④ The follow-up expenses pertinent to an investment real estate, if they meet the recognition conditions of the investment property, they shall be included in the cost of the investment real estate; otherwise, if they fail to meet the recognition conditions of the investment property, they shall be included in the current profits and losses when they are incurred.

(3) Follow-up measurement of the investment real estate

The company makes a follow-up measurement to the investment real estate through the cost pattern on the date of the balance sheet. According to the relevant provisions of the “Accounting Standards for Enterprises No.4 - Fixed Assets” and the “Accounting Standards for Enterprises No.6 - Intangible Assets”, the actual amortization or depreciation is made for the investment real estate by the straight-line method in the estimated useful life.

(4) Conversion of the investment real estate

The company has well-established evidence to indicate that the purpose of the real estate has changed, it shall convert the investment real estate to other assets, or vice versa. And the book value of the real estate prior to the conversion shall be entry value after conversion.

14.The fixed assets depreciation:

(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	Estimated useful	Estimated residual value rate	Depreciation rate(%)
Houses and Buildings	20~21	3	4.62~4.85
Machinery and 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, they 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:

15.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.

16.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.

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

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 : ① Assets expenditure has occurred; ② The loan costs have occurred; ③ The necessary construction or production activities for the assets to achieve the predicted state.

The loans include the specialized loan and the general loan.

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.

17. Intangible assets

Intangible assets refer to identifiable monetary assets with no physical substance that the company owns or controls. 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.

Use the straight-line method and amortize it in 50 year.

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.

17. 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.

18. Estimated liabilities

Estimated liabilities are recognized if both the Company and the related obligation of contingencies meet the following conditions at the same time: (1) The obligation is a present obligation undertaken by the enterprise; (2) The fulfillment of the obligation may likely cause an outflow of economic interests; (3) The amount of the obligation can be reliably measured.

The Company conducts the initial measurement in accordance with the best estimated amount of expenditure required to fulfill related present obligations, reviews the estimated liabilities on the date of the balance sheet, and adjusts the book value based on the current best estimated amount.

20. Payment to employees

Payment to employees refers to various forms of remunerations and other related expenditure paid to employees for their services. Payment to employees includes wages, bonuses, allowances and subsidies, welfare, social insurances such as medical insurance, endowment insurance, unemployment insurance, work injury insurance, and maternity insurance, housing funds, union budgets and staff education budgets, non-monetary welfare, and compensations for terminating labor relations. The company recognizes the payment to employees as liabilities payable during the accounting period when employees provide services to the Company, and records it into the related costs or assets according to beneficiaries for whom employees provide services, except for the situation where labor relations are terminated.

The Company 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 Company 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.

21. 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 Company recognizes the related labor income by the percentage of completion of services on the date of the balance sheet. If the result of providing labor services cannot be estimated reliably, the Company recognizes the income on the balance sheet date according to the labor costs that have already occurred and are estimated to be compensated, and costs are carried forward based on the same

amount. If the labor costs that have already occurred in current period cannot be compensated, the income is not recognized and the costs that have already occurred are recognized as the current expenses.

The Company determines the completion schedule of the provision of services by the following methods: (1) the measurement of works that have been complete; (2) the proportion of the labor services that have provided in the total labor services that should be provided; (3) the proportion of costs that have occurred in the estimated total costs.

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.

21. Government subsidies

The Company recognizes government subsidies when the Company is able to meet the conditions of government subsidies and can receive government subsidies Monetary assets is measured by the amount that is received or should be received. Non-monetary government subsidies are measured by fair values. Where the fair value cannot be obtained, the non-monetary government subsidies are measured by the nominal amount of RMB1.

Government subsidies related to assets are recognized as deferred incomes, which are averagely distributed within the usage life of related assets and recorded in current loss and profit. Government subsidies measured in nominal amount are directly recorded in the current profit and loss. Government subsidies that are related to incomes and used to compensate the related fees and losses of the future period are recognized as deferred incomes, and are recorded in the current profit and loss in the period of recognition of related fees. Government subsidies that are used to compensate the related fees and losses occurred are recorded in the current profit and loss.

22. Assets of deferred income tax and Liabilities of deferred income tax.

If there is a deductible temporary difference between the book value of assets and liabilities and the tax base, recognize the deferred tax assets generated by the deductible temporary difference based on the limitation of taxable income that is used to deduct the deductible temporary difference. However, the deferred income tax assets generated by the initial recognition of assets or liabilities in the following transactions are not recognized:

① The transaction is not an enterprise merger;
② When the transaction occurs, neither the accounting profit nor taxable income are affected (or deductible loss).

(2) When the deductible temporary difference related to the investment of subsidiaries, affiliated enterprises and joint venture enterprises meets the following conditions, the corresponding deferred income tax assets are recognized:

① The temporary difference may likely recovered in the foreseeable future;
② In the future, it is likely to obtain the taxable income that is used to deduct the deductible temporary difference;

(3) For the deductible loss and tax credits offset that can be carried forward in the future years, within the extent of the amount of future taxable income of deductible loss and tax credits offset by the possible income, will be recognized as the corresponding deferred income tax assets.

(4) On the balance sheet date, review the book value of deferred income tax assets. If in the future it is unlikely to gain sufficient taxable income to offset the benefits of deferred tax assets, the book value of deferred tax assets will be write-down. When it is likely to be sufficient in taxable income, the reduction in amount will be

reversed back.

(5) Liabilities of deferred income tax

If taxable temporary differences exist between the book value of assets, liabilities and its tax base, in accordance with the applicable tax rates in the expected period for drawing back the asset or settling the liabilities, it will be recognized as deferred income tax liabilities by calculation.

23. Income Tax

Corporate income tax is adopted of method of the balance sheet liability for accounting treatment. When the company obtains assets or liabilities, then determine its tax base .If differences exist between the book value of assets, liabilities and its tax base, the deferred income tax assets or deferred income tax liabilities will be affirmed.

In the end of the final period, for the current income tax liabilities (or assets) coming from the current or prior periods, the company should calculate out the income tax amount in accordance with the tax law, which should be paid (or returned) .

The current income tax and deferred income tax is recorded as income tax expenses into the current profit and loss.

24.

There are no major accounting policies, accounting estimates and prophase errors of the Company by the end of the report period

III.Taxation

Items	Tax base	Tax Rate
VAT	Product sales revenue.	17%
VAT	Sales revenue of energy and power	13%
Business tax	Income from labor services and lease.	3~5%
City construction tax	Turnover tax to be paid allowances.	7%
Surcharge for education	Turnover tax to be paid allowances.	4%
Enterprise income tax	Taxable income	25%

IV. Enterprise Consolidation and Consolidation Financial Statement

1.Subsidiary Company

The company has established and invested a subsidiary

Shijiazhuang Baoshi Colour Bulb Co., Ltd. , Hebei Xubao Construction Installation Engineering Co., Ltd. , Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd., Wuhu Optoelectronic Equipment Technology Co., Ltd. and Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd. are the subsidiaries and grandson companies of this company

Unit: RMB'0000

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Subsidiary Name	Type	Registration plane	Nature	Registered capital	Business scope	The end of the actual amount s of capital	Stock Proportion	Voting Rights Proportion(%)	Minority interest end of period	Whether Or not consolidated
Hebei Xubao Construction Installation Engineering Co., Ltd.	Limited Liability Company	No.9, Huanghe Road, Shijiazhuang	Construction Installation	800	Building architectural engineering design, construction, engineering consultancy, city and roads lighting projects, interior and exterior decoration projects.	800	100	100		Yes
Shijiazhuang Baoshi Color bulb Co., Ltd.	Limited Liability Company	No.9, Huanghe Road, Shijiazhuang	Manufacturing Industry	54,068	Production and sales of glass bulbs for colour kinescope and electronic glass products	43,934	81.26	81.26	1,533	Yes

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Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd.	Other Limited Liability Company	3/F, Wuhu Economy Technology Deelopment Zone,Management Committee	Manufacturing Industry	1,000	R&D of optoelectronic mechanical equipment and electronic products, production of all kinds of non-standard equipment and parts and relevant process formulation.	510	51	51	490	Yes
Wuhu Dongxu Optoelectronic Technology Co., Ltd.	Personal limited liability company	3/F, Wuhu Economy Technology Development Zone,Management Committee	Manufacturing Industry	500	investment, construction and operation related to the industry of glass substrate for optoelectronic display and relevant technological development.	500	100	100		Yes

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Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd.	Other Limited Liability Company	No.9, Huanghe Road, Shijiazhuang	Manufacturing Industry	1,000	optoelectronic device installation and relevant technological development, technology transfer, technical consultation and technical services.	510	51	51	428	Yes
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2. The explanation of the change of the scope of the current combined financial statements of the company

The Company established a wholly-owned subsidiary called Wuhu Dongxu Optoelectronic Technology Co., Ltd. It established Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. The Company holds 51% equity of this company. Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd., a controlled subsidiary of the Company, established Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. holds 51% equity of this company. The said newly established companies are all subsidiaries with control relationship and were included in the scope of consolidated financial statements at the end of the report period.

On December 2011, The Company established a wholly-owned subsidiary called Wuhu Dongxu Optoelectronic Technology Co., Ltd. It established Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. The Company holds 51% equity of this company. Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd., a controlled subsidiary of the Company, established Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd. jointly with Dongxu Group Co., Ltd. Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd. holds 51% equity of this company. The said newly established companies are all subsidiaries with control relationship and were included in the scope of consolidated financial statements at the end of the report period.

3. The main body is newly merged into the incorporated scope in the current period.

Name	Net assets of Year-end balance	Net profit of the report period
Wuhu Dongxu Optoelectronic Technology Co., Ltd.	3,531,001.15	-1,468,998.85
Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd.	9,997,368.44	-2,631.56
Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd.	9,380,000.00	

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

1. Monetary capital

Items	Year-end balance			Year-beginning balance		
	Currency rates	Exchange rate	RMB	Currency rates	Exchange rate	RMB
Cash						
RMB			227,397.85			100,519.34
Bank deposit:						
RMB			15,619,827.88			10,111,060.62

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Other currency funds:						
RMB						
Total			15,847,225.73			10,211,579.96

2. Bill receivable

Type	Year-end balance	Year-beginning balance
Bank acceptance	450,000.00	
Total	450,000.00	

(1) At the end of the period, there were neither bank acceptance bills in use for pledges and collaterals nor bills converted to receivables due to the bill issuer's impotency to fulfill the agreement.

(2) The top five receivables that were endorsed but not yet due at the end of the period

(3) The top five receivables that was RMB 1,607,520.00 were endorsed but not yet due at the end of the period are:

The Issuer	Issuing Date	Due Date	Amount
Zhuhai Chengfeng Electronics Co., Ltd.	2011.07.03	2012.02.15	317,520.00
Zhangjiagang Qianshi Huilong Industry Co., Ltd.	2011.09.15	2012.03.15	300,000.00
Henan Guokong Yufei Electronic Glass Co., Ltd.	2011.10.28	2012.04.28	180,000.00
Pinghuaxin Carbon Co., Ltd.	2011.09.09	2012.03.09	100,000.00
Zhucheng Jinan Thermoelectricity Co., Ltd.	2011.10.27	2012.04.27	100,000.00
Total			997,520.00

(3) 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.

3.Account receivable

(1)Type analyse

Type	Year-end balance				Year-beginning balance			
	Amount	Proportion %	Bad debt reserve	Proportion%	Amount	Proportion %	Bad debt reserve	Proportion%
Significant account receivable of single amount	28,849,155.91	63.57	28,849,155.91	100.00	29,197,892.37	76.26	28,433,156.96	97.38
The receivables that the individual amount is not large but the risk is great	12,293,588.86	27.09		-	4,216,544.43	11.01		-
Other insignificant of account receivable	4,236,634.05	9.34	4,236,634.05	100.00	4,873,054.80	12.73	4,873,054.80	100.00
Total	45,379,378.82	100.00	33,085,789.96	72.91	38,287,491.60	100.00	33,306,211.76	87.00

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(2) The large individual amount or receivable small accounts for the separate impairment testing is accrued for bad debts as below;

Customers	Year-end balance	Bad debt reserve	Provison preportion(%)	Provison Cause
Baoshi TV Factory	14,009,355.59	14,009,355.59	100	Can't withdraw
Tianjing Anjing Electric Glass Co., Ltd	8,041,810.32	8,041,810.32	100	Can't withdraw
Anyang Xinyi Electric Glass Co., Ltd.	3,796,390.00	3,796,390.00	100	Can't withdraw
Fuyang Stores	2,000,000.00	2,000,000.00	100	Can't withdraw
City Lingchao Trading Company	1,001,600.00	1,001,600.00	100	Can't withdraw
Total	28,849,155.91	28,849,155.91		

(3) In the current report period, there is no full amount provisions of bad debt or large proportion of bad accounts reserves of the previous period can be reclaimed or reversed by full amount in the current period.

(4) There were no receivables written off in this reporting period.

(5) 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.

(6) The top 5 in accounts receivable

Name	Relationship with the company	Year-end balance	Age	Proportion%
Baoshi TV Factory	Non-Related parties	14,009,355.59	Over 3 years	30.87
Dongxu Group	Related parties	7,512,102.00	Within 1 year	16.55
Tianjing Anjing Electric Glass Co., Ltd	Non-Related parties	8,041,810.32	Over 3 years	17.72
Anyang Xinyi Electric Glass Co., Ltd.	Non-Related parties	3,796,390.00	Over 3 years	8.37
Hebei Construction Industry Group Co., Ltd.	Non-Related parties	2,699,975.11	Within 1 year	5.95
Total		36,059,633.02		79.46

(7) Separate amount is not large, the account receivable with big combination risk after combined via risk character:

Customers	Year-end balance	Bad debt reserve	Provison preportion(%)	Accrued proportion (%)
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Baoshi process Plant	921,915.24	921,915.24	100	Can't withdraw
Tianjing Communication Tadio Company	570,000.00	570,000.00	100	Can't withdraw
Shijiazhuang Radio and TV Company. Economic Department	483,604.75	483,604.75	100	Can't withdraw
Henan Anfei Electric Glass Co., Ltd.	305,599.86	305,599.86	100	Can't withdraw
Baoshi Trading Company	269,792.40	269,792.40	100	Can't withdraw
Tianjing Jingjing Glass Bulb Co., Ltd.	266,960.00	266,960.00	100	Can't withdraw
Xingji Industry product marketing—Ji Weiying	220,000.00	220,000.00	100	Can't withdraw
Puyang Baoshi Glass Co., Ltd.	186,050.75	186,050.75	100	Can't withdraw
Meng Jun	161,125.00	161,125.00	100	Can't withdraw
Shanxi Huguang Five cross station	101,200.00	101,200.00	100	Can't withdraw
Shuping Home Appliances	74,070.00	74,070.00	100	Can't withdraw
Anyang Radio tube Factory	68,486.00	68,486.00	100	Can't withdraw
Shijida Design	60,000.00	60,000.00	100	Can't withdraw
Shahe Town Enterprises industrial Supply Company	56,400.00	56,400.00	100	Can't withdraw
Shenzhen Dimotai Industry Company	56,244.44	56,244.44	100	Can't withdraw
Anyang Dali Electric Company	45,006.00	45,006.00	100	Can't withdraw
Zhang Jinjiang	42,500.00	42,500.00	100	Can't withdraw
Huaneng Company	42,000.00	42,000.00	100	Can't withdraw
Xinxiang Industry and trade	36,960.00	36,960.00	100	Can't withdraw
Xinle People Security Dept	33,600.00	33,600.00	100	Can't withdraw
Tiangong Technology	30,000.00	30,000.00	100	Can't withdraw
Baibo Trading Company	30,000.00	30,000.00	100	Can't withdraw
Jiangshu Metal & chemical	27,435.00	27,435.00	100	Can't withdraw
Shixinsheng Industry Company	27,050.00	27,050.00	100	Can't withdraw
HeBei Yiling Mechine Manufacture Factory	22,500.00	22,500.00	100	Can't withdraw
Shanxi Chengzhi Chemical station	20,840.00	20,840.00	100	Can't withdraw
Other	77,294.61	77,294.61	100	Can't withdraw
Total	4,236,634.05	4,236,634.05		

(8) Amount due from related parties ,See Notes VI-5

4.Other receivable

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(1) Type analyse

Type	Year-end balance				Year-beginning balance			
	Amount	Proportion %	Bad debt reserve	Proportion %	Amount	Proportion %	Bad debt reserve	Proportion %
Significant account receivable of single amount	3,930,418.78	12.84	3,930,418.78	100.00	3,743,399.36	11.57	3,743,399.36	100.00
The receivables that the individual amount is not large but the risk is great	24,349,986.54	79.56		-	25,277,592.84	78.16		
Other insignificant of account receivable	2,327,144.75	7.60	2,327,144.75	100.00	3,319,499.73	10.27	3,319,499.73	100.00
Total	30,607,550.07	100.00	6,257,563.53	20.44	32,340,491.93	100.00	7,062,899.09	21.84

(2) The large individual amount or receivable small accounts for the separate impairment testing is accrued for bad debts as below;

Content	Book Amount	Bad debt amount	Proportion	Reason
Shijiazhuang Baoshi Electric Group Industry & trading Company	1,544,512.64	1,544,512.64	100.00	Can't withdraw
Henan Anfei Electric Co., Ltd.	1,094,333.29	1,094,333.29	100.00	Can't withdraw
Shijiazhuang Baoshi Electric Group Industry & trading Company, Mineral water Plant	470,281.48	470,281.48	100.00	Can't withdraw
Puyang Baoshi Glass Co., Ltd.	416,930.75	416,930.75	100.00	Can't withdraw
New century Capsule	404,360.62	404,360.62	100.00	Can't withdraw
Total	3,930,418.78	3,930,418.78		

(3) In the current report period, the other accounts receivable reclaimed from the bad debt provisions includes the payment of Puyang Baoshi Glass Co., Ltd., and RMB 650,000 has been reclaimed by the way of litigation.

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(4) 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.

(5) The top 5 in Other receivable

Name	Relationship with the company	Amount	Age	Proportion %
Shijiazhuang Baoshi Electronic vacuum Glass Co., Ltd	Related parties	1,605,264.00	Within 1 Year	5.24
		1,605,264.00	1-2 years	5.24
		486,833.38	2-3 years	1.59
Shijiazhuang Baoshi Large-diameter Co.Ltd	Related parties	399,028.80	Within 1 Year	1.30
		264,448.66	1-2 years	0.86
		451,713.82	2-3 years	1.48
		6,760,245.72	Over 3 years	22.09
Shijiazhuang Baoshi Zhonghe	Related parties	1,010,207.00	Within 1 Year	3.30
		1,088,095.60	1-2 years	3.55
		112,970.88	2-3 years	0.37
		3,359,524.34	Over 3 years	10.98
Shijiazhuang Baoshi Xuming Tube Co., Ltd.	Related parties	671,351.50	Within 1 Year	2.19
		671,351.00	1-2 years	2.19
		100,547.28	2-3 years	0.33
		190,523.94	Over 3 years	0.62
Shijiazhuang Baoshi Electronic Group Industry & Trading Company	Non-Related parties	1,544,512.64	Over 3 years	5.05
Total		20,321,882.56		66.39

(6) Separate amount is big at end of the period or not big but other account receivable and doubtful reserves shall be withdrawn.

Content	Book Amount	Bad debt amount	Proportion	Reason
Tianjihng Electronic Instrument import & export Comapny	266,745.75	266,745.75	100.00	Can't withdraw
City Sida	241,350.00	241,350.00	100.00	Can't withdraw
Shenzhen SEG Zhongkang Co., Ltd.	161,568.10	161,568.10	100.00	Can't withdraw
Advances transferred	147,557.46	147,557.46	100.00	Can't withdraw
Guizhou Xingqian Union	120,000.00	120,000.00	100.00	Can't withdraw

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Content	Book Amount	Bad debt amount	Proportion	Reason
Antimony Products Company				
Picture tube Plant	111,521.59	111,521.59	100.00	Can't withdraw
Baohao Company	108,730.00	108,730.00	100.00	Can't withdraw
Zhao Junqing	106,863.00	106,863.00	100.00	Can't withdraw
Xu Xin	100,000.00	100,000.00	100.00	Can't withdraw
Urban construction archives	70,000.00	70,000.00	100.00	Can't withdraw
Provincial Software Center	61,035.00	61,035.00	100.00	Can't withdraw
Zhao Junqing	60,000.00	60,000.00	100.00	Can't withdraw
Jinzhou Tube mould Factory	50,001.34	50,001.34	100.00	Can't withdraw
Xinxiang Lifting Equipment Plant	46,200.00	46,200.00	100.00	Can't withdraw
Electric cars into	43,366.86	43,366.86	100.00	Can't withdraw
Capsule plant	42,269.23	42,269.23	100.00	Can't withdraw
Reserve fund	41,300.00	41,300.00	100.00	Can't withdraw
Shanghai Sea Electrical Store	40,426.00	40,426.00	100.00	Can't withdraw
Thermal Plant	38,735.55	38,735.55	100.00	Can't withdraw
Xinjiang Nonferrous metal industry Company	37,122.88	37,122.88	100.00	Can't withdraw
Shenyang Zhongje Friendship plant	35,969.53	35,969.53	100.00	Can't withdraw
Pingshan Ore processing plant	35,461.95	35,461.95	100.00	Can't withdraw
Xianyang Caihong Machine Plant	30,575.00	30,575.00	100.00	Can't withdraw
Dongan Company	27,640.04	27,640.04	100.00	Can't withdraw
Shijiazhuang Graphite electrode plant, Specialty graphite products factory	25,000.00	25,000.00	100.00	Can't withdraw
Zhengding Xizhaotong	23,000.00	23,000.00	100.00	Can't withdraw
Supply Dept	22,294.41	22,294.41	100.00	Can't withdraw
Provincial Second construction Company, No.5 Dept	20,000.00	20,000.00	100.00	Can't withdraw
Other	212,411.06	212,411.06	100.00	Can't withdraw
Total	2,327,144.75	2,327,144.75	100.00	

(7) Amount due from related parties ,See Notes VI-5

5. .Prepayment

Age analyse

Age	Balance at the period end		Balance in year-begin	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	4,864,897.79	85.77	1,803,745.27	84.84
1-2 years	790,172.03	13.93	321,358.21	15.11
2-3 years	16,513.19	0.29	550	0.03
Over 3 years	624.75	0.01	474.75	0.02
Total	5,672,207.76	100.00	2,126,128.23	100.00

(2) The top 5 in .Prepayment

Name	Relations with the Company	Amount	Proportion(%)	Time
Chongqing Jianfa Glass Kilns furnaces Co., Ltd.	Non-Related parties	1,048,020.00	18.48	Within 1 year
081 Electronic Group, Sichuan Tianyuan Machine	Non-Related parties	1,325,000.00	23.36	Within 1 Year
Shijiazhuang Shenghao Metal Material Co., Ltd.	Non-Related parties	316,805.10	5.59	Within 1 year
Shanghai Zhuojin Automatic control equipment Co., Ltd.	Non-Related parties	525,434.00	9.26	Within 1 Year
Shijiazhuang Installation Engineering Co., Ltd.	Non-Related parties	549,811.00	9.69	1-2 years
Total	--	3,765,070.10	66.38	--

(3) There were no important other receivable from the main shareholders of the Company holding more than 5% (including 5%) of the total shares of the Company.

6.Inventory

(1) Type

Items	Balance in year-end			Balance in year-begin		
	Book Balance	Provision for devaluation	Book Value	Book Balance	Provision for devaluation	Book Value
Raw materials	125,449,462.28	8,230,334.26	117,219,128.02	133,819,175.54	20,051,499.04	113,767,676.50
Processing product	1,552,040.25		1,552,040.25	2,476,210.85		2,476,210.85
Commodities in stock	26,354,396.73	3,459,635.91	22,894,760.82	38,905,237.51	11,132,517.40	27,772,720.11

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Turnover material			0.00			
goods and materials shipped			0.00			
Entrusted processing goods and materials	24,778.64		24,778.64	156,096.59	121,422.43	34,674.16
Low value consumption goods	12916.32		12,916.32			
Material cost difference	109384.87		109,384.87			
Material procurement	169,000.11		169,000.11			
Total	153,671,979.20	11,689,970.17	141,982,009.03	175,356,720.49	31,305,438.87	144,051,281.62

(2) Inventory and inventory depreciation reserve

Type	Book Balance in year-begin	Amount accounted in current period	Amount Decreased in current period		Book balance at period end
			Transferred back	Reselling	
Raw materials	20,100,049.04	93,280.35		11,776,434.43	8,230,334.26
Processing products				-	
Commodities in stock	11,083,967.40	965,855.42		6,658,476.07	3,459,635.91
Turnover material				-	
Entrusted processing goods and materials	121,422.43			121,422.43	
Total	31,305,438.87	1,059,135.77	-	19,027,557.93	11,689,970.17

Notes: (1) In the current report period, the falling price reserves are made for the inventory stud pins, end caps, steel strips and partial backlog of electronic components have been accrued for the decline in value due to the net realizable value is lower than its cost.

(2) Provision for decline in value of inventories is based on that the net realizable value of final inventory is lower than the cost, the stocks for provision has been exchanged into cheap prepared amount RMB 20,674,604.48 due to the current sales and consumption.

7. Other current assets

Items	Balance in year-end	Balance in year-begin
Replace with US dollar	58,000,000.00	58,000,000.00
Financing expenses unconfirmed	153,190.35	293,867.02

Total	58,153,190.35	58,293,867.02
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Note :Details about replacing US dollar are described in Note V -20. The unconfirmed financing expense is the confirmed benefits for staff retirement and is accounted according to a certain rate.

8. Long-term equity investment

Name	Accounting method	Initial investment cost	Original balance	change	Ending Balance	Shareholding proportion in the investee	Voting right proportion in the investee	Explanation of difference between shareholding proportion and voting right proportion in investee	Devalue	Current provision for impairment
Shijiazhuang Baolihua Technology &trading Co., Ltd.	Cost method	200,000.00	200,000.00		200,000.00	40.00	40.00		50,000.00	

Shijiazhuang Baolihua Technology &Trading Co., Ltd. couldn't be operated normally since its establishment. A provision for impairment losses has been made in accordance with the cost calculation

9. Real estate Investment

Items	Book Balance in year-begin	Increase in this period	Decrease in this period	Book Balance in year-end
I. Cost Total	77,990,458.53			77,990,458.53
1. Houses and building	77,990,458.53			77,990,458.53
2.Land Use right				
II.Total accumulated depreciation	56,585,056.11	3,587,561.10		60,172,617.21
1. Houses and building	56,585,056.11	3,587,561.10		60,172,617.21
2.Land Use right				
III.Total of Real estate investment devalue provision				
1. Houses and building				
2.Land Use right				

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IV.Total of Real estate Investment book value	21,405,402.42			17,817,841.32
1. Houses and building	21,405,402.42			17,817,841.32
2.Land Use right				

10. Fixed assets

(1) Fixed assets

Items	Book Balance in year-begin	Increase in this period	Decrease in this period	Book Balance in year-end
I. Cost	297,379,509.82	5,593,025.53	51,139,417.38	251,833,117.97
Incl: Houses and building	105,699,505.97	86,965.00		105,786,470.97
Machine and equipment	182,102,829.02	4,334,729.49	51,139,417.38	135,298,141.13
Transportation equipment	2,870,809.42	911,500.00		3,782,309.42
Other equipment	6,706,365.41	259,831.04		6,966,196.45
II.Total accumulated depreciation	217,220,758.38	9,826,745.25	31,347,486.19	195,700,017.44
Incl: Houses and building	65,553,913.14	4,838,811.31		70,392,724.45
Machine and equipment	145,689,114.49	4,530,849.50	31,347,486.19	118,872,477.80
Transportation equipment	635,049.35	224,355.32		859,404.67
Other equipment	5,342,681.40	232,729.12		5,575,410.52
III.Total of fixed assetsdevalue provison	3,236,295.13			3,236,295.13
Incl: Houses and building				
Machine and equipment	3,236,295.13			3,236,295.13
Transportation equipment				
Other equipment				
IV.Total of fixed assets Book value	76,922,456.31			52,896,805.40
Incl: Houses and building	40,145,592.83			35,393,746.52
Machine and equipment	33,177,419.40			13,189,368.20
Transportation equipment	2,235,760.07			2,922,904.75
Other equipment	1,363,684.01			1,390,785.93

Notes: The depreciation amount of this period is RMB9,826,745.25.

Note: Information on Mortgages of Fixed assets, see Note 8

(2) Information on idle fixed assets

Items	Original book value	Accumulated	Provision for	Net book value
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		depreciation	devaluation	
Machine Equipment	4,765,286.22	1,445,927.10	3,236,295.13	83,063.99

(3) The fixed assets from operating lease

Items	Book value
Machine and equipment	863,946.77

11. Construction-in-progress

Name	Balance in year-begin	Increase in this period	This period of fixed assets	Other decrease	Balance in year-begin	Provision for devaluation	Balance in year-end
Glass tube 2 period transform		21,561,509.06			21,561,509.06		21,561,509.06
Other		741,000.00			741,000.00		741,000.00
Total		22,302,509.06			22,302,509.06		22,302,509.06

12. Intangible assets

Items	Book Balance in year-begin	Increase in this period	Decrease in this period	Book Balance in year-end
I. Cost Total	16,005,611.00			16,005,611.00
Land use right	15,997,361.00			15,997,361.00
Financial software	8,250.00			8,250.00
II.Total of accumulative amortized	4,180,091.32	327,213.72		4,507,305.04
Land use right	4,173,491.32	325,563.72		4,499,055.04
Financial software	6,600.00	1,650.00		8,250.00
III.Total of intangible assets devalue reserve	11,825,519.68			11,498,305.96
Land use right	11,823,869.68			11,498,305.96
Financial software	1,650.00			-
IV. Total of accumulated provision				
Land use right				
Financial software				

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Items	Book Balance in year-begin	Increase in this period	Decrease in this period	Book Balance in year-end
V.Total of intangible assets value	11,825,519.68			11,498,305.96
Land use right	11,823,869.68			11,498,305.96
Financial software	1,650.00			-

The amortized accumulated amount of this period is RMB327,213.72.

Note: Information on Mortgages of Fixed assets, see Note 8.

11. Long-term expenses to be amortized

Items	Balance in year-begin	Increase in this year	Decrease in this year	Balance in year-end	Other decrease reason
Noble metal	7,664,359.26		7,664,359.26		
Total	7,664,359.26	-	7,664,359.26		

Notes: The long-term deferred expenses of the current period have been reduced by the Noble metal equipment components that have been put into use for the devices transformation into storage.

2. Deffed tax assets

(1) Recognized deferred income tax assets

Items	Year-end balance	Year-beginning balance
Bad debt reserve.	5,556,355.30	6,240,184.68
Inventory devaluation provision	2,083,749.33	5,057,386.86
Impairment loss of fixed assets	212,948.83	354,214.15
Long-term equity investment	9,286.91	
Welfare for workers' dismissing	86,080.92	313,514.59
Losses Covered in Latter Year	2,750,000.00	
Total	10,698,421.29	11,965,300.28

(2) Details of deferred tax assets without confirmation

Items	Year-end balance	Year-beginning balance
Bad debt reserve.	4,279,483.08	1,423,188.02
Inventory devaluation provision	838,743.21	792,385.5
Impairment loss of fixed assets	596,124.95	
Long-term equity investment	3,213.09	
Welfare for workers' dismissing	29,782.33	
The deductible losses	4,905,694.43	
Total	10,653,041.09	2,215,573.52

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(3) The deductible losses of unrecognized deferred income tax assets will be to the expiration of the next year.

Year	Year-end balance	Year-beginning balance	Remark
2014	6,633,761.27		
2015	12,989,016.45		
Total	19,622,777.72		

(4) Details of deductible difference items

Items	Amount of Deductible Difference Items
Bad debt reserve.	22,225,421.18
Inventory devaluation provision	8,334,997.34
Impairment loss of fixed assets	851,795.32
Long-term equity investment	37,147.64
Welfare for workers' dismissing	344,323.67
Losses Covered in Latter Year	11,000,000.00
Total	42,793,685.15

15. Assets devalue provision list

Items	Book balance in year-begin	Increased amount in this period	Decrease in this period			Book balance in period-end
			Transfer-in	Transfer-out	Total	
I.Provision for bad debts	40,369,110.85	70,289.15	1,096,046.51	-	1,096,046.51	39,343,353.49
Inc : Account receivable	33,306,211.76	59,578.20	280,000.00	-	280,000.00	33,085,789.96
Other receivable	7,062,899.09	10,710.95	816,046.51	-	816,046.51	6,257,563.53
II.Provision for falling price of inventory	31,305,438.87	1,059,135.78	-	20,674,604.47	20,674,604.47	11,689,970.17
III.Provision for devaluation offinancial asset available for sales	-	-	-	-	-	-
IV.Provision for devaluation of held-to maturity investment	-	-	-	-	-	-

V.Provision for devaluation of long-term equity investment	50,000.00	-	-	-	-	50,000.00
VI.Provision for devaluation of investing property	-	-	-	-	-	-
VII.Provision for devaluation of fixed assets	3,236,295.13	-	-	-	-	3,236,295.13
VIII.Provision for devaluation of engineering materials	-	-	-	-	-	-
IX.Provision for devaluation of construction in progress	-	-	-	-	-	-
X.Provision for devaluation of productive biological assets	-	-	-	-	-	-
XI.Other	-	-	-	-	-	-
Total	74,960,844.85	1,129,424.93	1,096,046.51	20,674,604.48	21,770,650.99	54,319,618.80

16.Account payable

(1)Type

Items	Balance in year-end	Balance in year-begin
Account payable	13,442,371.13	14,633,283.17
Total	13,442,371.13	14,633,283.17

(2) The account payable amount of the shareholder units holding more than 5% at the period end .

(3) Instructions for large payable accounts aging more than 1 year.

The payment for Shenzhen Baohao Company is RMB1,120,338.50, over1 year. This company didn't urge. The payable amount for New Ao gas company is RMB 3,928,391.61.Over 1 year, currently in consultation with this company about the repayment issues.

17. Advance accounts

Items	Balance in year-end	Balance in year-begin
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Advance accounts	1,060,332.76	9,227,402.63
Total	1,060,332.76	9,227,402.63

Notes: (1) The advance account amount of the shareholder units holding more than 5% at the period end .

(2) there is no large receivable amount within 1 year .

18. Payable Employee wage

Items	Book Balance in year-begin	Increase in this year	Decrease in this year	Book Balance in year-end
1.Wages, bonuses, allowances and subsidies	39,429.06	14,446,204.94	14,446,204.94	39,429.06
2.Employee welfare		2,234,841.84	2,234,841.74	0.10
3. Social insurance premiums		3,770,908.88	3,628,978.46	141,930.32
(1)Medical insurance	-	385,665.65	385,665.65	-
(2)Basic old-age insurance premiums	-	2,835,893.88	2,778,263.26	57,630.62
(3) Unemployment insurance	-	273,677.61	234,993.16	38,684.45
(4) Work injury insurance	-	137,413.70	91,798.45	45,615.25
(5) Maternity insurance	-	138,258.04	138,258.04	-
IV. Public reserves for housing		1,044,517.83	1,044,517.83	
V.Dismiss welfarism	975,337.00	-	511,884.00	463,453.00
VI. Union funds and staff education fee	3,462,795.27	505,328.84	343,651.81	3,624,472.30
VII. Labour Funds	4,477,561.33	22,181,035.43	22,389,311.98	4,269,284.78
VIII. Employee compensatory payment				
Total				

The payable amount for employees' wedges is without any of overdue.

19. Tax payable

Items	Balance in year-end	Balance in year-begin
VAT	-4,669,243.97	-4,998,751.06
City construction tax	258,340.72	264,184.47
Business tax	3,906,947.41	4,020,587.98

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House tax	16,159.01	401,539.35
Travel tax		-1,481.00
Enterprise Income Tax	1,150,287.77	1,860,360.66
Individual Income tax	-353.62	
Education supertax	140,898.20	145,342.24
Stamp tax	1,230.01	7982.01
Total	804,265.53	1,699,764.65

20. Other Payable

(1) Type

Items	Balance in year-end	Balance in year-begin
Other Payable	31,601,289.10	39,979,810.93
Other	31,601,289.10	39,979,810.93

(2) The other payable account amount of the shareholder units holding more than 5% at the period end .

Items	Balance in year-end	Cause
Shijiazhuang Baoshi Group	10,619,579.12	Current money

(3)The other payable accounts, aging more than 1 year, come to RMB 21,405,216.27, and the larger amount listed as below;

Items	Balance in year-end	Cause
Shi City Xiheng Automation instrumentation Company	4,768,747.88	No settlement
Shandong Yingkou Explosion-proof equipment factory	1,736,000.00	No settlement
Shenyang Nosise control equipment factory	1,416,725.00	No settlement
Hebei Shunchang Instrument Market	1,212,800.00	No settlement
Fifty-four	1,193,495.00	No settlement
Total	10,327,767.88	

21. Other current liabilities

Items	Balance in year-end	Balance in year-begin
USD exchange	63,009,000.00	66,227,000.00
Total	63,009,000.00	66,227,000.00

Note: 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 RMB 58,000,000 exchanged in November 1998, As of December 31,2011, the Group still consults with the Exchange Unit on the

returning of the exchange.

22. Other non-current liabilities

Items	Balance in year-end	Balance in year-begin	Remark
Government subsidy	105,000.00	125,000.00	
Total	105,000.00	125,000.00	

23. Share Capital

Items	Balance in year-begin	Increase/decrease this time (+, -)					Balance in year-end
		Issuing of new shares	Bonus shares	Transferred from reserves	Other	Subtotal	
Shijiazhuang Baoshi Group	110,785,500.00						110,785,500.00
Other Current shareholder	272,214,500.00						272,214,500.00
Total	383,000,000.00						383,000,000.00

24. Capital common reserve

Items	Balance in year-begin	Increase in this year	Decrease in this year	Balance in year-end
Capital stock premium	355,857,851.87			355,857,851.87
Other capital reserve	31,522,375.26			31,522,375.26
Total	387,380,227.13			387,380,227.13

25. Surplus common reserve

Items	Balance in year-begin	Increase in this year	Decrease in this year	Balance in year-end
Legal Surplus common reserve	27,454,788.05			27,454,788.05
Total	27,454,788.05			27,454,788.05

26. Retained profit

Items	Amount	Extraction or distribution of the proportion
Before adjustments: Retained profits at the period end	-577,206,604.52	
Adjustments: Total retained profits at the period		

beginning		
After adjustments:Retained profits at the period beginning	-577,206,604.52	
Add: Net profit belonging to the owner of the parent company	11,850,352.65	
Less: Drawing statutory surplus reserve		
Drawing discretionary surplus reserve		
Drawing commonly risk provisions		
Payable dividends of common shares		
Transfer to common stock equity dividends		
Retained profits at the period end	-565,356,251.87	

27. Business income and Business cost

(1) Business income

Items	Amount of current period	Amount of previous period
Main business income	71,745,277.11	64,311,315.00
Other business income	32,680,182.84	14,041,892.42
Total of business income	104,425,459.95	78,353,207.42
business cost	67,742,417.67	74,875,455.91

(2) Main business

Type	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Glass Plain tub sales income	57,693,617.23	47,947,909.04	61,458,234.19	63,348,651.20
Construction installation	14,051,659.88	9,139,890.97	2,853,080.81	2,012,767.50
Total	71,745,277.11	57,087,800.01	64,311,315.00	65,361,418.70

28. Business tax and additional

Items	Amount of current period	Amount of previous period	Standard
Business tax	1,246,653.10	726,400.62	5% or 3%
House tax	418,026.58	426,306.55	12%
City safeguard and construction tax	548,310.91	232,660.91	7%
Education surtax	391,650.66	162,821.06	4%

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Total	2,604,641.25	1,548,189.14
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Real estate property tax is the tax paid the Renting Property Bureau for renting out the real estate. property.

29.Sale expenses

Items	Amount of current period	Amount of previous period
Wage and additional	306,989.28	702,057.67
Transportation cost	296,989.08	304,186.65
Travel fees	70,360.48	57,486.30
Office expenses	3,088.88	5,881.00
Other	110,703.07	533,854.06
Total	788,130.79	1,603,465.68

30.Management expenses

Items	Amount of current period	Amount of previous period
Wage and additional	5,187,043.82	3,827,246.80
Depreciation of fixed assets	5,392,792.71	4,113,705.17
Amortization of intangible assets	327,213.72	327,213.72
Business Expenses	580,911.90	392,791.60
Agency Expenses	430,000.00	743,000.00
Repairs fees	66,630.06	47,098.78
The cost of taxes	2,719,240.51	3,010,071.15
Travel fees	579,645.89	169,629.94
Office fees	1,225,964.62	203,848.33
Other	4,652,705.77	3,252,392.39
Total	21,162,149.00	16,086,997.88

31. Financial expenses

Items	Amount of current period	Amount of previous period
Interest expenses	78,824.02	941,199.86
Less: Income from interest	20,871.33	12,889.02
Exchange loss (Or Gains)	-3,213,810.26	-2,124,540.57
Commission charge	10,903.78	5613.15

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Other	373,487.47	-
Total	-2,771,466.32	-1,190,616.58

32. Assets Devalue losses

Items	Amount of current period	Amount of previous period
I.Provision for bad debts	-1,025,757.36	-6,243,137.79
II.Provision for falling price of inventory	1,059,135.77	810,853.68
III. Provision for devaluation offixed assets	-	-
IV. Provision for devaluation of long-term equity investment	-	-
Total	33,378.41	-5,432,284.11

33. Non-operating incme

Items	Amount of current period	Included in the current period of non-recurring profit and loss amount	Amount of previous period
Loss of fixed assets			
Net Income of disposition fixed assets	-		27,888.90
Income of debt restructuring	15,982.10	15,982.10	-
Forfeit income			
Government subsidy	20,000.00	20,000.00	15,063,625.58
Other	38,768.80	38,768.80	-
Total	74,750.90	74,750.90	15,091,514.48

34.Non-operating expenses

Items	Amount of current period	Included in the current period of non-recurring profit and loss amount	Amount of previous period
Loss of fixed assets			
Net Income of disposition fixed assets	29,938.22	29,938.22	5,683.32
Income of debt restructuring			
Forfeit income			
Government subsidy	77,463.72	77,463.72	2,826.49
Other	100.47	100.47	-

Total	107,502.41	107,502.41	8,509.81
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35. Income tax expenses

Items	Amount of current period	Amount of previous period
Expense of current income tax	1,430,975.40	1,879,572.50
Expense of deferred income tax	1,266,879.00	
Total	2,697,854.40	1,879,572.50

36. Earnings per share-basis

Earnings per share-basis= $P0 \div S$

$S=S0+S1+Si \times Mi \div M0 - Sj \times Mj \div M0-Sk$

Of which: Po refers to net profit attributable to shareholders holding ordinary shares or net profit attributable to shareholders holding ordinary shares after deducting non-recurring gains and losses; S weighted average number of ordinary shares issued out; S0 refers to total number of shares at the period-begin; S1 refers to the number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares during the report period; Si refers to the number of shares increased due to issuance of new shares or debt for equity swap during the report period; Sj refers to the number of shares decreased due to stock repurchase during the report period; Sk refers to the number of split-share during the report period; M0 refers to the number of months during the report period; Mi refers to the number of months from the next month to the end of the report period for increase of shares; Mj refers to the number of months from the next month to the end of the report period for decrease of shares.

Earnings per share-diluted

Earnings per share-diluted= $P1 / (S0+S1+Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average amount of ordinary shares increased due to warrant, share options, convertible bond})$

Of which: P1 refers to net profit attributable to shareholders holding ordinary shares or net profit attributable to shareholders holding ordinary shares after deducting non-recurring gains and losses; The Company shall consider all influence on potential diluted interests of ordinary shares when the company calculated diluted earnings per share, till to minimum diluted EPS.

In the report period, For business combination under the same control and the combining party issue new shares as consideration, when calculating the EPS at the end of reporting period, company should treat these shares as they are normal outstanding shares at the beginning of combining date (weighting coefficient is 1), when calculation the EPS during the comparing period, should treat these shares as they are normal outstanding shares at the beginning of comparing period, when calculation the EPS after deducting extraordinary gain or loss at the end of reporting period, should treat these new shares as they are issued one month after the combining date. When calculation the EPS after deducting extraordinary gain or loss during the comparing period should ignore these new shares (weighting coefficient is 0).

For business combination under the same control at the accounting period and the combining party issue new shares as consideration, when calculating the EPS at the accounting period or the comparing period, company should use the basic EPS method to treat these new shares.

Unlisted company purchase listed company by issue share to become a listed company indirectly, when calculating the EPS during the reporting period:

Weighted average number of ordinary shares during the period=(Weighted average number of shares from

the beginning of reporting period to the end of the month which combination happened)+(Weighted average number of shares from the next month of the combination to the end of the reporting period)

Weighted average number of shares from the beginning of reporting period to the end of the month which combination happened=weighted average number of share of the acquirer(subsidiary in law) X Share exchange rate in the acquisition agreement x number of months from the beginning to the month which acquisition happens ÷ number of months during the period.

Weighted average number of shares from the next month of the combination to the end of the reporting period= weighted average number of share of the acquiree (parent in law) x number of months from the next month to the end of period ÷ number months during the period.

Unlisted company purchase listed company by issue share to become a listed company indirectly when calculation the EPR during the companring period:

Weighted average number of ordinary shares during the period = weighted average number of share of the acquirer (subsidiary in law) x share exchange rate in the qcquisition agreement.

37. (1) Other cash received from business operation

Items	Amount of current period	Amount of previous period
Current	3,817,919.42	13,924,343.88
Housing rental income		2,179,850.91
Interest income	20,871.33	12,889.02
Total	3,838,790.75	16,117,083.81

(2) Other cash paid for business activities

Items	Amount of current period	Amount of previous period
Cash management fees	2,568,526.52	1,718,918.07
Cash business expenses	370,438.44	695,766.39
Cash financial expenses	89,727.80	75,147.52
Other	77,564.19	126,537.91
Current	3,138,067.82	
Total	6,244,324.77	2,616,369.89

38. Supplement information (Cash Flow Statement)

(1) Supplement information (Cash Flow Statement)

Supplement information	2011	2010
I.Adjusting net profit to net cash flow in operating activities :		
Net profit	12,135,603.25	4,065,431.67
Add: Provision for impairment of assets	33,378.41	-7,112,284.11
Fixed assets depreciation, depletion of oil and gas assets, depreciation of capitalized biological	13,414,306.35	15,108,202.75

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assets		
Amortization of intangible assets	327,213.72	327,213.72
Amortization of long-term deferred expenses		6,559.04
Amortization expenses decrease(Less: Gains)		
Accued expensed increase(Less: decrease)		
Loss on disposal fixed assets, intangible assets and long-term assets	29,938.22	-2,205.58
Loss on scrapping of fixed assets		
Loss from fair change (Less: Gains)		
Financial expenses	-2,771,466.32	-1,190,616.58
Losses arising form investment (Less: Gains)		
decrease of deferred tax assets	1,266,878.99	
Increase feferred income tax assets(Less: decrease)		
Decrease in investories(Less: Gain)	2,069,272.59	-1,518,094.99
Decrease in operating reveivables (Less: Gain)	-11,308,388.55	-3,729,129.89
Increase in operating receivable (Less: decrease)	-10,461,757.58	14,164,472.26
Other	-6,573,275.76	-9,750,001.92
Net cash flows form operating activities	-1,838,296.68	10,369,546.37
2.Investing and financing activities that do not involving cash receipts and payment		
Conversion of debt into capital		
Reclassify convertible bonds to be expired within one year as current liability		
Fixed assets financed by finance leases		
3.Net increase in cash and cash equivalents		
Cash at the end of the period	15,847,225.73	10,211,579.96
Less: Cash at the beginning of the period	10,211,579.96	4,886,779.89
Add: Cash equivalents at the end of the period		
Less: Cash equivalent at the beginning of the period		

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Net increase in cash and cash equivalents	5,635,645.77	5,324,800.07
(2) The composition of cash and cash equivalents		
Items	December 31, 2011	
1. Cash	15,847,225.73	
Of which: Cash in stock	227,397.85	
Bank savings could be used at and time	15,619,827.88	
Other monetary capital could be used at any time		
II. Cash equivalent		
Of which : Bond investment which will due in three months		
III. Balance of cash and cash equivalents at the period, end	15,847,225.73	
Of which: Cash and cash equivalents with limited usage in the parent company and subsidiaries		

VI. Related parties and related party transaction(Unit: RMB)

1. The Parent company of the Company

Name	Relationship with the company	Type	Registered address	Legal representative	Business nature	Registered capitals	Proportion of shareholding	Proportion of voting right(%)	Ultimate controlling party of the enterprise	Organization Code
Shijiazhuang Baoshi Electric Group Co., Ltd.	Holding Shareholder	Limited Liability	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province	Li Zhaoting	Production	850 million	28.93	28.93	Dongxu Group Co., Ltd	10441204-2
Dongxu Group Co., Ltd	The actual controller	Limited Liability	No.18, Huitong Road, Qiaodong District, Shijiazhuang, Hebei	Li Zhaoting	Project investment	386 million			Li Zhao ting	76813036-3

2.The subsidiary of the Company

Name	Subsidiary Type	Enterprise type	Registered address	Legal representative	Business nature	Registered capitals	Proportion of shareholding	Proportion of voting right(%)	Organization Code
Hebei Xubao Construction Installation Engineering Co.,	Wholly-owned subsidiary	Limited Liability	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province	Shang Jianbin	Construction Installation	8,000,000.00	100	100	564858483

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Ltd.									
Shijiazhuang Colour Bulb Co., Ltd.	Holding Subsidiary	Limited Liability	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province	Shang Jianbin	Production	540,681,957.00	81.26	81.26	236042258
Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd.	Holding Subsidiary	Other Limited Liability	3/F, Wuhu Economy Technology Development Zone, Management Committee	Li Zhaoting	Manufacturing	10,000,000.00	51	51	58723108-5
Wuhu Dongxu Optoelectronic Technology Co., Ltd.	Wholly-owned subsidiary	Personal lim ited liability com pany	3/F, Wuhu Economy Technology Development Zone, Management Committee	Li Zhaoting	Manufacturing	5,000,000.00	100	100	58723116-5
Shijiazhuang Dongxu Optoelectronic Equipment Technology Co., Ltd.	Subidiary of Holding Subsidiary	Other Limited Liability	9 Huanghe Road, Shijiazhuang High-tech Industrial Development Area, Shijiazhuang, Hebei Province	Li Zhaoting	Manufacturing	10,000,000.00	51	51	58817255-8

3. The company and other related party

Name	Relationship with the Company	Organization Code
Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	Controlled by the same parent company	601903109
Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	Controlled by the same parent company	700820907
Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	Controlled by the same parent company	601125212
Shijiazhuang Baoshi Xuming Tube Co., Ltd.	Controlled by the same parent company	723378699
Shijiazhuang Baodong Electric Co., Ltd.	Controlled by the same parent company	601008876
Hebei Baoshi Lighting Co., Ltd.	Controlled by the same parent company	662202883
Shijiazhuang Xuxin Optoelectronic Technology Co., Ltd.	Controlled by the same parent company	694655991

4. Status of related transactions

(1) Related transactions of purchase or selling goods, service of supply or accept

Related parties	Contents of transactions	Cost determination & strategic procedures of related transactions	Amount of current period		Amount of previous period	
			Amount	Proportion (%)	Amount	Proportion (%)
Shijiazhuang Baoshi Electric Group Co., Ltd.	Material, merchandise inventory	Reference price setting	1,117,737.74	4.77		
Shijiazhuang Baoshi Electric Group Co., Ltd.	Process expenses	Reference price setting	257,400.00	100.00		
Shijiazhuang Baoshi Electric Group Co., Ltd.	Services	Reference price setting	1,885,000.00	100.00	1,885,000.00	100.00
Shijiazhuang Baoshi Electric	Labour received	Reference price setting	1,916,042.35	100.00	4,728,849.45	100.00

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Group Co., Ltd.						
Shijiazhuang Baoshi Electric Group Co., Ltd.	Energy	Reference price setting	9,687,916.95	100.00	10,934,977.68	100.00

(2) Sale Goods/Rendering of service

Related parties	Contents of transactions	Cost determination & strategic procedures of related transactions	Amount of current period		Amount of previous period	
			Amount	Proportion (%)	Amount	Proportion (%)
Shijiazhuang Baoshi Electric Group Co., Ltd.	high-lead Bulb	Reference price setting	18,953,404.80	78.00	39,653,951.34	68.00
Shijiazhuang Baoshi Electric Group Co., Ltd.	Material, merchandise inventory	Reference price setting	12,682,092.03	100.00		
Shijiazhuang Baoshi Electric Group Co., Ltd.	Labour	Reference price setting	48,676.21	100.00		
Dongxu Group	A-frame	Reference price setting	13,348,340.09	100.00		
Dongxu Group	Overflow brick processing	Reference price setting	11,636,752.14	100.00	1,413,599.84	2.00
Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	Labour	Reference price setting	1,550,000.00	100.00		
Dongxu Group	Processing services	Reference price setting	95,299.15			
Dongxu Group	Construction installation, labour	Reference price setting	9,552,445.60	67.98		
Shijiazhuang Baoshi	Construction	Reference price	4,483,444.99	31.91		

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Electric Group Co., Ltd.	installation,labour	setting				
Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	Construction installation,labour	Reference price setting	15,769.29	0.11		
Hebei BaoshiEnergy saving lighting technology Co., Ltd.	labour	Reference price setting	9,529.91			
Shijiazhuang Baoshi Electric Group Co., Ltd.	labour	Reference price setting	7,861,669.84	100.00	9,780,225.25	48.00
Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	labour	Reference price setting	752.14		65,543.58	
Baodong Electric Co.,Ltd.	Labour and sales Goods	Reference price setting	124,883.52	100.00	7,122.00	

(3) Related rental status

Lessor name	Lessee name	Type	Start-date of renting	Terminal date of renting	Ensured-proof for rental profit	Rental beneficiary
Shijiazhuang Colour Bulb Co., Ltd.	Shijiazhuang Baodong Electric Co.,Ltd.	House	January 1,2011	December 31, 2011	Reference price setting	276,268.00
Shijiazhuang Colour Bulb Co., Ltd.	Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	House	September ,1999	July 31, 2017	Reference price setting	1,605,264.00
Shijiazhuang Baoshi Electric Glass Co., Ltd.	Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	House	August 1, 1999	July 31, 2017	Reference price setting	300,296.70
Shijiazhuang Baoshi	Shijiazhuang Baoshi	House	August 1, 2008	July 31, 2013	Reference price	301,200.00

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Lessor name	Lessee name	Type	Start-date of renting	Terminal date of renting	Ensured-proof for rental profit	Rental beneficiary
Electronic Glass Co., Ltd.	Electronic Group Co., Ltd.				setting	
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	Land	January 1, 2011	December 31, 2011	Reference price setting	99,900.00
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	House	August 1, 2008	July 31, 2013	Reference price setting	35,900.00
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	House	January 1, 2010	December 31, 2011	Reference price setting	1,009,327.00
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Xuming Tube Co., Ltd.	House	January 1, 2010	December 31, 2011	Reference price setting	671,351.50
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Hebei Baoshi Energy saving lighting technology Co., Ltd.	House	August 1, 2008	July 31, 2013	Reference price setting	52,000.00
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Hebei Baoshi Energy saving lighting technology Co., Ltd.	House	January 1, 2010	December 31, 2011	Reference price setting	301,183.00
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Electronic Group Co., Ltd.	House	October 2008		Reference price setting	1,615,022.58
Shijiazhuang Baoshi Electronic Glass Co., Ltd.	Shijiazhuang Baoshi Electronic Group Co., Ltd.	Equipment	October 2008		Reference price setting	299,384.31

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leasing information of the company

Lessor name	Lessee name	Type	Start-date of renting	Terminal date of renting	lease rent priced foundation	Confirmed lease rent of the year
Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	Shijiazhuang Baoshi Electric Glass Co., Ltd.	House	August 1, 2011	July 31, 2014	Lease contract	110,000.00
Shijiazhuang Baoshi Electric Glass Co., Ltd.	Shijiazhuang Baoshi Electric Glass Co., Ltd.	Equipment	August 2011	July 31, 2014	Lease contract	750,000.00

(4) status of restruction of debts

Related party	Content of related transaction	Type of related transactions	Rules for setting price	Amount of current period		Amount of previous period	
				Amount	proportion in the same transactions (%)	Amount	proportion in the same transactions (%)
Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	Related party offset against the debts with precious metal	Paid by goods	Fair value			73,913,143.02	100.00

(5) Accounts due from related partiesansactions

Accounts payable from related parties listed commpany

Name	Related partyt	Balance in year-end	Balance in year-begin
Account receivables	Shijiazhuang Baoshi Electric Group Co., Ltd.		1,613,080.81
Account receivables	Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.		-7,624,288.45
Account receivables	Puyang Baoshi Glass Co., Ltd.		186,050.75
Other receivables	Puyang Baoshi Glass Co., Ltd.		1,066,930.25
Account receivables	Dongxu Group	7,512,102.00	-9,550.40
Other receivables	Shijiazhuang Baoshi Xuming Tube Co., Ltd.	1,633,773.72	1,277,941.69

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Other receivables	Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	7,875,437.00	7,755,276.00
Other receivables	Shijiazhuang Baodong Electric Co., Ltd.	1,541,509.20	1,310,627.13
Other receivables	Shijiazhuang Baoshi Zhonghe Steel Plastic Shape Co., Ltd.	5,570,797.82	4,560,590.82
Other receivables	Hebei BaoshiEnergy saving lighting technology Co., Ltd.	1,437,075.81	618,800.81
Other receivables	Shijiazhuang Baoshi Electric vacuum Glass Co., Ltd.	3,697,361.38	8,048,731.38
Advance payment	Shijiazhuang Baoshi Xuming Tube Co., Ltd.	170,000.00	-
Advance payment	Hebei BaoshiEnergy saving lighting technology Co., Ltd.	18,000.00	-

NotesBy the end of the report period,the company had no relation with Puyang Baoshi Glass Co., Ltd

Accounts payable from related parties listed company

Name	Related party	Balance in year-end	Balance in year-begin
Account payable	Dongxu Machine Equipment Co., Ltd.	13,590.72	
Advance received	Dongxu Machine Equipment Co., Ltd.	900,000.00	
Other payable	Shijiazhuang Baoshi Electric Group Co., Ltd.	10,619,579.12	18,003,624.00
Other payable	Shijiazhuang Baoshi Xuming Tube Co., Ltd. Shijiazhuang Baoshi Xuming Tube Co., Ltd.		410,000.00

VII.Contingent events:

In 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). This loan has been overdue, the Shijiazhuang Commercial Bank have transferred the loan to Hebei Guoxing Assets Operation Co., Ltd, Hebei Guoxing Assets Operation Co., Ltd has agreed the extension of the loan. Except the above-mentioned matter, the Company had no other important matters or commitment items to be disclosed at the end of the report period.

VIII. Events after balance sheet date

The company did not need to reveal Events after balance sheet date

IX. Other important events

In December 2011, the 16th meeting of the sixth board of directors of the Company examined and adopted the preplan of the Company for private issue of A shares. Relevant matters are under planning and preparation. Except

the above-mentioned matter, the Company had no other important matters to be disclosed at the end of the report period.

On April 2009, the company had transferred two commercial acceptance drafts(total of RMB 0.70 million,Payee Nanjing Huafei Company) that held and own the right of bill by the company to Shanxi Tianlu Company, in order to decrease both credit and debt. On July 2009, Shanxi Tianlu Company cashed RMB 0.1 million, the remaining RMB 0.6 million did not be advanced. On July 2011, the company received the written application for arbitration from Shijiazhuang Arbitration Commssion applied from Shanxi Tianlu Company, Shanxi Tianlu Company requested to return the draft and our company should pay the remaining RMB 0.6 million, This case is still under arbitration.

X. Noters of main statement parent report(Unit : RMB)

1.Account receivable

(1) Type analyses

Type	Year-end balance				Year-beginning balance			
	Amount	Pr oportio n%	Bad debt reserve	P roport ion%	Amount	P roport ion%	Bad debt reserve	P roport ion%
Significant account receivable of single amount	20,423,415.56	60.10	20,423,415.56	100	20,851,836.78	76.31	20,087,100.18	96.33
The receivables that the individual amount is not large but the risk is great	10,244,977.45	30.15			2,603,462.43	9.53		
Other unsignificant of account receivable	3,314,718.81	9.75	3,314,718.81	100	3,871,455.99	14.16	3,871,455.99	100
Total	33,983,111.82	100.00	23,738,134.37	69.85	27,326,755.20	100	23,958,556.17	87.67

(2) The large individual amount or receivable small accounts for the separate impairment testing is accrued for bad debts as below;

Customers	Year-end balance	Bad debt reserve	Provison preportion(%)	Provison Cause
Baoshi process Plant	921,915.24	921,915.24	100	Can't withdraw
Baoshi TV Factory	6,661,700.00	6,661,700.00	100	Can't withdraw
Shi Linchao Trading Company	1,001,600.00	1,001,600.00	100	Can't withdraw
Anyang Xinyi Electricin GlassCo., Ltd.	3,796,390.00	3,796,390.00	100	Can't withdraw
Tianjing Anjing Electricin Glass Co.,	8,041,810.32	8,041,810.32	100	Can't withdraw

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Ltd.				
Total	20,423,415.56	20,423,415.56		

(3) There is no reversal for current

(4) There were no receivables written off in this reporting period.

(5) 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.

(6) The top 5 in accounts receivable

Name	Relationship with the company	Year-end balance	Age	Proportion%
Baoshi TV Factory	Non-Related parties	6,661,700.00	Over 3 years	19.60
Shijiazhuang Linchao Trading Company	Non-Related parties	1,001,600.00	Over 3 years	2.95
Anyang Xinyi Electronic Glass Co., Ltd.	Non-Related parties	3,796,390.00	Over 3 years	11.17
Tianjing Anjing Electronic Glass Co., Ltd.	Non-Related parties	8,041,810.32	Over 3 years	23.66
Dongxu Group Co., Ltd.	Related parties	8,262,102.00	Within 1 year	24.31
Total		27,763,602.32		81.69

(7) Separate amount is not large, the account receivable with big combination risk after combined via risk character:

Customers	Year-end balance	Bad debt reserve	Provision proportion(%)	Accrued Reason
Tianjing Communication Radio Company	570,000.00	570,000.00	100	Can't withdraw
Shijiazhuang Radio and TV Company. Economic Department	483,604.75	483,604.75	100	Can't withdraw
Henan Anfei electronic glass Co., Ltd.	305,599.86	305,599.86	100	Can't withdraw
Baoshi Trading Company	269,792.40	269,792.40	100	Can't withdraw
Tianjing Jingjing Glass Bulb Co., Ltd.	266,960.00	266,960.00	100	Can't withdraw
Xingji Industrial Supply and Marketing Cooperative-Ji Weiying	220,000.00	220,000.00	100	Can't withdraw
Puyang Baoshi Glass Co., Ltd.	186,050.75	186,050.75	100	Can't withdraw
Meng Jun	161,125.00	161,125.00	100	Can't withdraw

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Customers	Year-end balance	Bad debt reserve	Provision preportion(%)	Accrued Reason
Shanxi Huguang Five cross station	101,200.00	101,200.00	100	Can't withdraw
Shuping Home Appliances	74,070.00	74,070.00	100	Can't withdraw
Anyang Radio tube Factory	68,486.00	68,486.00	100	Can't withdraw
Shijida Decoration Company	60,000.00	60,000.00	100	Can't withdraw
Shahe TowN Enterprises industrial Supply Company	56,400.00	56,400.00	100	Can't withdraw
Shenzhen Dimotai Industry Company	56,244.44	56,244.44	100	Can't withdraw
Anyang Dali Electrinic	45,006.00	45,006.00	100	Can't withdraw
Zhang Jinjiang	42,500.00	42,500.00	100	Can't withdraw
Huaneng Company	42,000.00	42,000.00	100	Can't withdraw
Xinxiang Industry and trade	36,960.00	36,960.00	100	Can't withdraw
Xinle People Security Dept	33,600.00	33,600.00	100	Can't withdraw
Tiangong Technology	30,000.00	30,000.00	100	Can't withdraw
Baibo Trading Company	30,000.00	30,000.00	100	Can't withdraw
Jiangshu Metal & chemical	27,435.00	27,435.00	100	Can't withdraw
Shixinsheng Industry Company	27,050.00	27,050.00	100	Can't withdraw
HeBei Yiling Mechine Manufacture Factory	22,500.00	22,500.00	100	Can't withdraw
Shanxi Chengzhi Chemical station	20,840.00	20,840.00	100	Can't withdraw
Other	77,294.61	77,294.61	100	Can't withdraw
Total	3,314,718.81	3,314,718.81		

2. Other receivable

(1) Type Analyses

Type	Year-end balance				Year-beginning balance			
	Amount	Proportion(%)	Bad debt reserve	Proportion(%)	Amount	Proportion(%)	Bad debt reserve	Proportion(%)
Significant account receivable of single amount	3,930,418.78	14.60	3,930,418.78	100.00	3,743,399.36	16.03	3,743,399.36	100.00
The receivables that the individual amount is not large but the risk is great	20,745,751.98	77.06	-	-	16,361,345.94	70.06	-	-
Other insignificant of account receivable	2,246,433.80	8.34	2,246,433.80	100.00	3,249,499.73	13.91	3,249,499.73	74.02
Total	26,922,604.56	100.00	6,176,852.58	22.94	23,354,245.03	100.00	6,992,899.09	29.94

(2) Separate amount is big at end of the period or not big but other account receivable and doubtful reserves shall be withdrawn.

Content	Book Amount	Bad debt amount	Proportion	Reason
Baoshi trade Company	1,544,512.64	1,544,512.64	100	Can't withdraw
Henan Anfei Electric Co., Ltd.	1,094,333.29	1,094,333.29	100	Can't withdraw
Baoshi trade Company, Mineral water plant	470,281.48	470,281.48	100	Can't withdraw
Puyang Baoshi Glass Co., Ltd.	416,930.75	416,930.75	100	Can't withdraw
New Century Capsule	404,360.62	404,360.62	100	Can't withdraw
Total	3,930,418.78	3,930,418.78		

(4) During the reporting period, there is no large provision for bad debts withdrew. No recovery through debt restructuring and other receivables.

(5) There were no important other receivable from the main shareholders of the Company holding more than 5% (including 5%) of the total shares of the Company.

(6) The top 5 in Other receivable

Name	Relationship with the company	Amount	Proportion %
Shijiazhuang Baoshi Xuming Tube Co., Ltd.	Related parties	1,946,742.72	7.23
Shijiazhuang Baoshi Zhonghe	Related parties	5,436,335.83	20.19
Shijiazhuang Baoshi Large-diameter plastic tube Co., Ltd.	Related parties	7,809,882.90	29.01
Hebei Baoshi Energy saving lighting technology Co., Ltd.	Related parties	1,437,075.81	5.34
Shijiazhuang Baoshi Electric Group Co., Ltd.	Non-Related parties	1,544,512.64	5.74
Total		18,174,549.90	67.51

(7) Separate amount is big at end of the period or not big but other account receivable and doubtful reserves shall be withdrawn.

Content	Book Amount	Bad debt amount	Proportion	Reason
Tianjihng Electronica Instrument import & export Comapny	266,745.75	266,745.75	100	Can't withdraw

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Content	Book Amount	Bad debt amount	Proportion	Reason
City Sida	241,350.00	241,350.00	100	Can't withdraw
Shenzhen SEG Zhongkang Co., Ltd.	161,568.10	161,568.10	100	Can't withdraw
Advances transferred	147,557.46	147,557.46	100	Can't withdraw
Guizhou Xingqian Union Antimony Products Company	120,000.00	120,000.00	100	Can't withdraw
Picture tube Plant	111,521.59	111,521.59	100	Can't withdraw
Baohao Company	108,730.00	108,730.00	100	Can't withdraw
Zhao Junqing	106,863.00	106,863.00	100	Can't withdraw
Xu Xin	100,000.00	100,000.00	100	Can't withdraw
Provincial Software Center	61,035.00	61,035.00	100	Can't withdraw
Zhao Junqing	60,000.00	60,000.00	100	Can't withdraw
Jinzhou Tube mould Factory	50,001.34	50,001.34	100	Can't withdraw
Xinxiang Lifting Equipment Plant	46,200.00	46,200.00	100	Can't withdraw
Electric cars into	43,366.86	43,366.86	100	Can't withdraw
Capsule Plant	42,269.23	42,269.23	100	Can't withdraw
Reserve fund	41,300.00	41,300.00	100	Can't withdraw
shanghai Sea Electrical Store	40,426.00	40,426.00	100	Can't withdraw
Thermal Plant	38,735.55	38,735.55	100	Can't withdraw
Xinjiang Nonferrous metal industry Company	37,122.88	37,122.88	100	Can't withdraw
Shenyang Zhongje Friendship plant	35,969.53	35,969.53	100	Can't withdraw
Pingshan Ore processing plant	35,461.95	35,461.95	100	Can't withdraw
Xianyang Caihong Machine Plant	30,575.00	30,575.00	100	Can't withdraw
Dongan Company	27,640.04	27,640.04	100	Can't withdraw
Shijiazhuang Graphite electrode plant, Specialty graphite products factory	25,000.00	25,000.00	100	Can't withdraw
Zhengding Xizhaotong	23,000.00	23,000.00	100	Can't withdraw
Supply Dept	22,294.41	22,294.41	100	Can't withdraw
Provincial Second construction Company, No.5 Dept	20,000.00	20,000.00	100	Can't withdraw
Yangzhou Asia-Pacific Special Pump Factory	19,880.00	19,880.00	100	Can't withdraw
Shanghai HongJiang Automation instrument Factory	18,335.60	18,335.60	100	Can't withdraw
Shi Souzhi	18,014.60	18,014.60	100	Can't withdraw
Insulator	15,280.40	15,280.40	100	Can't withdraw
Benxi Mining Rubber Parts Factory	14,250.00	14,250.00	100	Can't withdraw
Tianjing Liffing Equipment Plant ,Product maintenance Dept	13,400.20	13,400.20	100	Can't withdraw
Zhongxing store	10,000.00	10,000.00	100	Can't withdraw
Nantian Union Electrical Equipment Factory	10,000.00	10,000.00	100	Can't withdraw
Shanghai Hangtong Electrical &	8,613.98	8,613.98	100	Can't withdraw

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Content	Book Amount	Bad debt amount	Proportion	Reason
mechanical Company				
Pingshan Material Plant	8,602.16	8,602.16	100	Can't withdraw
Oxygen air separation equipment engineering Company	8,573.55	8,573.55	100	Can't withdraw
Baofa Supervision Company	5,760.00	5,760.00	100	Can't withdraw
Han Xuming	5,500.00	5,500.00	100	Can't withdraw
Other	45,489.62	45,489.62	100	Can't withdraw
Total	2,246,433.80	2,246,433.80		

3. Long-term equity investment

Name	Accounting method	Initial investment cost	Original balance	change	Proportion (%)	Devalue	Balance in year-end
Shijiazhuang Baoshi Colour Bulb Co., Ltd.	Cost method	439,341,956.80	439,341,956.80	-	81.26	378,172,649.84	61,169,306.96
Hebei Xubao	Cost method	8,000,000.00		8,000,000.00	100.00		8,000,000.00
Shijiazhuang Baolihua Technology & trading Co., Ltd.	Cost method	200,000.00	200,000.00		40.00	50,000.00	150,000.00
Wuhu Dongxu Optoelectronic Equipment Technology Co., Ltd.	Cost method	5,100,000.00		5,100,000.00	51.00		5,100,000.00
Wuhu Dongxu Optoelectronic Technology Co., Ltd.	Cost method	5,000,000.00		5,000,000.00	100.00		5,000,000.00
Total		457,641,956.80	439,541,956.80	18,100,000.00		378,222,649.84	79,419,306.96

Shijiazhuang Baolihua Technology & Trading Co., Ltd. couldn't be operated normally since its establishment. A provision for impairment losses has been made in accordance with the cost calculation

4. Business income and Business cost

(1) Business income and business cost

Items	Amount of current period	Amount of previous period
Main business income	57,693,617.23	61,458,234.19
Other business income	29,627,938.12	12,160,360.42
Total of business income	87,321,555.35	73,618,594.61
Total	56,928,897.52	71,488,402.74

(2) Main Business income and cost

Type	Amount of current period	Amount of previous period
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	business income	business cost	business income	business cost
Glass Tube plant	24,298,590.39	25,709,015.82	50,128,616.50	50,502,837.12
Element Plant	6,578,495.83	7,673,667.80	7,760,749.35	7,772,606.44
Electron Equipment Dept	11,636,752.15	3,373,822.98	92,025.66	59,380.01
Machine factory	15,179,778.86	11,191,402.44	3,476,842.68	5,013,827.63
Total	57,693,617.23	47,947,909.04	61,458,234.19	63,348,651.20

5. Supplement information (Cash Flow Statement)

Supplement information	2011	2010
I.Adjusting net profit to net cash flow in operating activities :		
Net profit	9,369,812.37	-10,114,697.52
Add: Provision for impairment of assets	22,667.46	-7,112,284.11
Fixed assets depreciation, depletion of oil and gas assets, depreciation of capitalized biological assets	11,046,800.21	12,753,625.03
Amortization of intangible assets	327,213.72	327,213.72
Amortization of long-term deferred expenses		6,559.04
Amortization expenses decrease(Less: Gains)		
Accued expensed increase(Less: decrease)		
Loss on disposal fixed assets, intangible assets and long-term assets	29,938.22	-2,205.58
Loss on scrapping of fixed assets		
Loss from fair change (Less: Gains)		
Financial expenses	458,793.30	309,114.13
Losses arising form investment (Less: Gains)		
decrease of deferred tax assets	1,266,878.99	
Increase feferred income tax assets(Less: decrease)		
Decrease in inventories(Less: Gain)	1,541,776.27	246,925.41
Decrease in operating reveivables (Less: Gain)	-10,037,157.28	-2,116,049.08
Increase in operating receivable (Less: decrease)	-2,835,233.26	8,053,548.26
Other	-3,885,408.62	6,005,925.42
Net cash flows form operating activities	7,306,081.38	8,357,674.72
2.Investing and financing activities that do not involving cash receipts and payment		
Conversion of debt into capital		
Reclassify convertible bonds to be expired within one year as current liability		
Fixed assets financed by finance leases		
3.Net increase in cash and cash equivalents		

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Cash at the end of the period	15,847,225.73	10,211,579.96
Less: Cash at the beginning of the period	10,211,579.96	4,886,779.89
Add: Cash equivalents at the end of the period		
Less: Cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	5,635,645.77	5,324,800.07

XI. Supplement information

1. Items and amounts of non-operating profit or loss

According to the China Securities Regulatory Commission Announcement<2008>, extraordinary gains or losses are calculated and disclosed according to “Regulation on the Preparation of information Disclosures of Companies Issuing Public Shares No.1”

Items	Amount
(1) Gain/loss form disposal of non-current assets and Provision for impairment of assets including the preparation of the write-off part .	-29,938.22
(2) Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.	
(3)Governmental Subsidy accounted as current gain/loss, except for those subsidies at with amount or quantity fixed by the national government and closely related to the Company's business operation.	20,000.00
(4)Capital occupation fee collected from non-financial organizations and accounted as current gain/loss.	
(5)The investment cost of subsidiaries obtained by the enterprise, joint ventures and partnership enterprise is less than the revenues generated from the fair value of identifiable net assets of the unvested units.	
(6) Non-monetary asset exchange gain/loss.	
(7) Gain/loss investment of Commission	
(8) Asset impairment provisions for force major such as natural disasters	
(9) Gain/loss from debt reorganization	15,982.10
(10) Enterprise reorganization expenses, such as payment to stuff placement and consolidation expenses	
(11) Gain/loss from trades obviously departed from fair value	
(12) Net gain/loss of current term from consolidation of subsidiaries under common control from beginning of term to the consolidation date	
(13) Gain/loss from debt forecasting without connection to the main business operation	
(14) In addition to normal business with the company effective hedging related business, holders of tradable financial assets, transactions and financial liabilities arising from changes in fair value gains and losses, as well as the disposal of trading of financial assets, trading financial liabilities and available-for-sale financial assets gains return on investment;	
(15) Single impairment test for impairment of receivables transferred back to preparation	
(16) Commissioned external loans by the Gain/loss	
(17) The use of fair value measurement model of follow-up to the fair value of real estate investment gains and losses arising from changes	

(18) According to tax, accounting and other laws, regulations, the requirements of the current Gain/loss for a one-time adjustment of the impact of the current Gain/loss;	
(19) Entrusted with the operating of the trust to obtain fee income	
(20) Net amount of non-operating income and expense except the aforesaid items	-38,795.39
(21) Other non-recurring Gains/loss items	
Total	-32,751.51
Income tax	
Amount of influence of net losses	-32,751.51

2.Explanations for differences between domestic and overseas accounting standards

On September 12, 2007, China Securities Regulatory Commission (CSRC) promulgated a Notice on the Issues Concerning Audit of Companies that Issue Foreign Investment Shares Listed in China, announcing the cancellation of the “Dual Audit” requirements in the previously promulgated information disclosure regulations that a company issuing foreign investment shares listed in China conducts an overseas audit while it engages a certified public accountants entitled to securities business for audit from the date of promulgation of this Notice. Our company has not prepared a financial report under the overseas accounting standards since 2007, and the financial report announced by the company was prepared according to the Accounting Standards for Business Enterprises of China; therefore, there are no differences between domestic and overseas accounting standards this year.

3. Return on net assets and earnings per share

Profit of the report period	Net income on asset, weighted	Earnings per share	
		Basic earnings per share	Diluted gains per share
Net profit attributable to the owners of Company.	0.052	0.031	0.031
Net profit attributable to the owners of Company after deducting of non-recurring gain/loss.	0.052	0.031	0.031

XII. The statements for the exception and reasons of main accounting items

1. Consolidated Balance Sheet

Items	Balance in year-end	Balance in year-begin	Chaged Proportion	Reason
Monetary fund	15,847,225.73	10,211,579.96	55.19	Active fund recovery
Bill receivable	450,000.00		100.00	Increase of Bill Accounts Receivable
Account receivable	12,293,588.86	4,981,279.84	146.80	Increment of Business
Prepayments	5,672,207.76	2,126,128.23	166.79	Increase of Prepayment of Materials and Construction
Fixed Assets	52,896,805.40	76,922,456.31	-31.23	Fixed Assets of Net Value Reduced by Depreciation
Construction in progress	22,302,509.06	-	100.00	Boiler Shutdown for Repair of Glass Tube of Phase II
Long-germ expenses to be amortized	-	7,664,359.26	-100.00	Boiler Shutdown for Repair of Precious Metal Components of Glass Tube of Phase II
Advance account	1,060,332.76	9,227,402.63	-88.51	Settlement of Accounts Received in Advance
Tax payable	804,265.53	1,699,764.65	-52.68	Increase of Nondeductible Input VAT

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Other account payable	31,601,289.10	39,979,810.93	-20.96	Repayment Enhanced
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2. Consolidated profit Statement

Items	Amount of current period	Amount of previous period	Chaged Proportion	Reason
business income	104,425,459.95	78,353,207.42	33.28	Growth of Construction Installation, Overflow Brick Processing and A framework Business
business cost	67,742,417.67	74,875,455.91	-9.53	Growth of Construction Installation, Overflow Brick Processing and A framework Business
Business tax and surcharge	2,604,641.25	1,548,189.14	68.24	Growth of Construction Installation, Overflow Brick Processing and A framework Business
Administrative expense	22,646,426.90	16,086,997.88	40.77	Increase of Business and Management Expense
Financial expenses	-2,771,466.32	-1,190,616.58	132.78	Increase of Exchange Gains
Income tax expenses	2,697,854.39	1,879,572.50	43.54	Increase of Deferred Income Tax Expense

3. Consolidated Cash Flow Statement

Items	Amount of current period	Amount of previous period	Chaged Proportion	Reason
Other cash received from business operation	3,838,790.75	16,117,083.81	-76.18	Decrease of Current Accounts
Taxes paid	14,094,727.48	6,277,589.44	124.52	Increase of Business and Turnover Tax Payable
Other cash paid for business activities	6,244,324.77	2,616,369.89	138.66	Increase of Business and All Expense Paid
Cash received from investment retrieving	4,900,000.00		100.00	Increase of Investment of Minority Shareholders Absorbed by Wuhu Subsidiary
Cash received from loan retrieving	2,800,000.00		100.00	Increase of Borrowings from XueBao Company
Cash to repay debts		5,000,000.00	-100.00	Decrease of Borrowings Repaid

XIII. The approval of financial reports

The report of the financial statements was approved by all directors of the board of directors of the Company on February 28, 2012

Shijiazhuang Baoshi Electronic Glass Co., Ltd.
February 28, 2012