

Abstract of Annual Report 2006 of Shanghai Narcissus Electric Appliances Co., Ltd.

Important Declaration

1.1 The Board of Directors of the company and its directors, board of supervisors and its supervisors as well as high level management officers hereby guarantee that there isn't any false information, misleading narration or major omission in the data contained herein of the report, and therefore guarantee to take any individual and joint responsibility of the veracity, accuracy and integrity of the content hereof. The abstract of the current annual report is taken from the full text of the report. For detailed information, please refer to the full text of the report.

1.2 The director Miao Hengsheng entrusted Mr. Hu Zhengming to be present in the board meeting and the President Ling Guangzhong to be on behalf of him and exercise the corresponding right to vote.

1.3 The director Yan Zhengbo can't attend board meeting because of being on business, and the Vice President Liang Jing shan to be on behalf of him and exercise the corresponding right to vote

1.4 Shanghai Lixin Certified Accountant Firm has issued the audit report which no opinion is submitted. In this connection, both the Board of Directors and the Board of Supervision have made detailed explanations, to which the investors may pay special attention to read.

1.5 The president of the company Mr. Ling Guangzhong and the vice chief accountant Mr. Xu Nianfu made declaration: that ensure the truth and integrity of the financial accounting report contained in the annual report.

§2 Fundamental State of the Listed Companies

2.1 Introduction of Fundamental State

Abbreviation of the shares	Narcissus A3	Narcissus B3
Code of the share	400008	420008
Share transference agency	Entrusting share transference system	
Registered address & business address	No.19, Wenshui Road, Shanghai	
P.C.	200072	
E-mail:	shuixiandianqi@163.com	

2.2 Liaison & Contact Method

	Secretary of the Board	Representative of securities business
Name	Huang Ninghua	
Contact address	No.19, Wenshui Road, Shanghai	
Tel:	021-56651410	
Fax:	021-56651093	
E-mail:	shuixiandianqi@163.com	

§3 Abstract of Accounting Data & Financial Index

3.1 Main accounting data

Unit: YUAN Yuan

	2006	2005	Increase or decrease compared with last year (%)	2004
Main business income	21,397,334.82	26,211,144.76	-18.37	35,694,414.70
Total profit	-32,475,877.23	-431,764.35	-7421.66	-47,954,410.75
Net profit	-32,477,278.73	-384,252.50	-8352.07	-48,197,504.14
Net profit after non recurrent profit and loss deducted	-32,477,278.73	-32,980,055.86	1.52	-52,823,551.04
Net amount of cash flow produced from business activities	2,423,660.10	-5,788,749.24	141.87	-6,922,631.54
	By the end of year 2006	By the end of year 2005	Increase or decrease by end of this year compared with the end of last year (%)	By the end of year 2004
Total assets	30,975,127.70	33,651,136.04	-7.95	65,680,732.16
Ownership Equity (not including minority ownership equity)	-383,038,772.34	-355,016,171.25	-7.89	-358,351,211.81

3.2 Main Financial Index

	2006	2005	Increase or decrease compared with last year (%)	2004
Profit per share	-0.137	-0.002	-6750	-0.2039
Earning rate of net assets	8.5%	0.11%	-7627.27	13.45%
Earning rate of net assets based on the net profit after the non recurrent profit and loss deducted	8.5%	9.29%	-8.5	14.74%
Net amount of cash flow produced from business activities of each share	0.01	-0.0245	140.82	-0.0293
	By the end of year 2006	By the end of year 2005	Increase or decrease by end of this year compared with the end of last year (%)	By the end of year 2004
Net assets per share	-1.62	-1.50	-8	-1.52
Net assets per share after adjusted	-1.62	-1.50	-8	-1.52

3.3 Non-operation profit and loss

√ Applicable □ Not applicable

Non-operation profit and loss	Amount (Yuan)
1. Other non-operating income or expenses after exclude company daily reserve for capital devalue in accordance with Accounting Standards	867,676.00
2. Reverse reserve for varies items devalue in the previous years	3,817.50
Total	871,493.50

Nots: all sum forementioned list subtract income tax impact and not including minority ownership equity

3.4 Difference between Domestic and International Accounting Criteria

√ Applicable □ Not applicable

Unit: YUAN Yuan

	Domestic Accounting Criteria	International Accounting Criteria
Net profit	-32,477,278.73	-32,477,278.73
Remarks for difference	—	

§4 Change of Capital Stock and Situation of Shareholders

4.1 List of Share Change

4.1 List of Share Change

Unit of quantity: share

	Before this change		Increase and decrease during this change (+,-)					After this change	
	Quantity	Percent age %	Newly issued shares	Com plime nt share s	Accmu latio n fund transfe rring	Others	Subto tal	Quantity	Percenta ge
一、 Non-circulation shares									
1. Founders shares Including: State owned shares	8022.696	33.937						8022.696	33.937
Domestic corporation owned shares									
Offshore corporation owned shares									
Others									
2. Recruited corporation shares	2862.4728	12.109						2862.4728	12.109
3. Staff owned shares									
4. Preference shares and others									
二、 Circulation shares									
1、 YUAN common shares	1754.9312	7.424						1754.9312	7.424
2、 Foreign shares listed offshore.	11000	46.531						11000	46.531
3、 Foreign shares listed offshore.									
Others									
三、 Total shares	23640.1	100						23640.1	100

4.2, Shareholding list of the top 10 major shareholders and the top 10 major circulation shares holders

Total shareholders by the end of report period.	Totally 12510 shareholders (Including 5075 unconfirmed shareholders)				
Shareholding status of the top 10 major shareholders					
Name (full name)	Property of shareholders (State shareholders or foreign shareholders)	Shareholding ratio(%)	Total quantity of Shareholding (share)	Non-floating stock quantity	Quantity of impawned or frozen Shares
Shanghai Narcissus Investment & Development Center	Corporation shares	21.60	51060020	51060020	None
Shanghai NIU (Group) CO.,LTD.	Corporation shares	13.47	31834000	31834000	Unknown
Wang shixue	Foreign shares	1.23	2904272		Unknown
Investment trust	Corporation shares	1.12	2640000	2640000	Unknown
Shanghai Chlor-Alkali Chemical Co., Ltd.	Corporation shares	1.12	2640000	2640000	Unknown
China Textile Machinery Co.,Ltd.	Corporation shares	0.93	2200000	2200000	Unknown
Construction bank trust	Corporation share	0.74	1746800	1746800	Unknown
Chen Yueming	Foreign shares	0.72	1702000		Unknown
Limeng Trade	Corporation shares	0.65	1540000	1540000	Unknown
ZanTai Hengyi	Foreign share	0.60	1418099		Unknown
Shareholding quantity of the top 10 major circulation shareholders					
Name of shareholders	Floating stock quantity(Share)	Stock share type			
Wang shixue	2904272	Foreign shares listed offshore.			
Chen Yueming	1702000	Foreign shares listed offshore.			
ZanTai Hengyi	1418099	Foreign shares listed offshore.			
Zhang Huoyuan	1277617	Foreign shares listed offshore.			
Yu Mingguang	1224058	Foreign shares listed offshore.			
Gao Tianlin	1095650	Foreign shares listed offshore.			
Jiang bo cheng	1007800	Foreign shares listed offshore.			
Zhou Xingzhen	909600	Foreign shares listed offshore.			
Sun Renyun	848200	Foreign shares listed offshore.			
Guan Jindi	828300	Foreign shares listed offshore.			
Statement about incidence relation or concerted action of above shareholders	There is no incidence relationship among above major non-circulation shareholders, there is no known incidence relation between circulation shareholders, nor any concerted action is known.				

4.3 Introduction of Proprietary Shareholders and Actual Controller

4.3.1 Alteration of Proprietary Shareholders and Actual Controller

Applicable Not applicable

4.3.2 Detailed Introduction of Proprietary Shareholders and Actual Controller

Name of Corporation shareholder: Shanghai Narcissus Investment & Development Center

Legal representative: Lin Guangzhong

Registered capital: 36.728 Million Yuan

Date of Incorporation: Oct. 1994

Company profile: Business scope—appliances, electromechanical products, instruments, daily use hardwares, general merchandise, tool & equipment, investment & management, industrial development

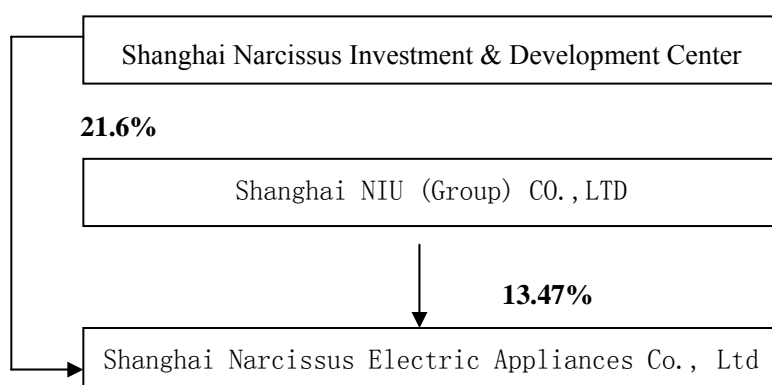
Name of Corporation shareholder: Shanghai NIU (Group) CO., LTD

Legal representative: Fan Dazheng

Date of Incorporation: 1992

Company profile: Business scope—general merchandise, hardware and electromechanical products, auto parts, artwork, furniture, conventional machinery, constructional materials, wood and wooden wares, knit goods and accessories, various household supplies, crafts, furniture, machine, constructional materials, wood and woodwork, knit goods and accessories, various household supplies, cereals and oils products, non staple food, native products, lease of house

4.3.3 Block diagram of property right between the company and the actual controller and the control relationship



§5 Directors, Supervisors and Senior Administrators

5.1 Alteration and income statement of Shareholding of Directors, Supervisors and Senior Administrators

Name	Title	Sex	Age	Start-stop date of term of office	Share holding at the beginning of fiscal year	Share holding at the end of fiscal year	Reason of alteration	Total Remuneration paid by the company during the report period	Paid by the shareholder company or other company?
Lin Guangzhong	Chairman of board of directors	male	49	2005.6-2008.6	0	0	-		Yes
Liang Jingshan	Vice chairman of board of directors	male	62	2005.6-2008.6	0	0	-		Yes
Yan Zhengbo	Director	male	50	2005.6-2008.6	0	0	-		Yes
Liu Qihong	Director	male	59	2005.6-2008.6	0	0	-		Yes
Miao Hengsheng	Director	male	59	2005.6-2008.6	0	0	-		Yes
Huang NInghua	GM, Director, secretary	Female	47	2005.6-2008.6	0	0	-	6.8	No
Xu tongfu	Director	male	56	2005.6-2008.6	0	0	-	3	No
Miao Hua	Chief supervisor	male	46	2005.6-2008.6	0	0	-		Yes
Zhou wei mao	Vice Chief supervisor	male	46	2005.6-2008.6	0	0	-		Yes
Fan jie	Supervisor	male	43	2005.6-2008.6	0	0	-		Yes
Zhangzhiqian g	Supervisor	male	58	2005.6-2008.6	880	880	-	5.5	No
Wangkewen	Supervisor	male	51	2005.6-2008.6	330	330	-	3	No

Remarks: Total income of above director, supervisor and high level management officer is pre-tax income.

§6 Report of Board of Directors

6.1, Discussion and analysis of management team

During the report period, due to stopping of major operation of mother company, the accumulated loss is 948.4642 million yuan at the date of Dec. 31, 2006, total assets is 30.9751 million Yuan, net profit is -32.4773 million yuan, Net asset is -383.0388 yuan., Total liabilities is 413.3294 Yuan.

Subsidiary company Shanghai Narcissus Imp. & Exp. Co., Ltd.: Registered capital: 10 Million Yuan, total assets 15.2166 million yuan, this company's business covers import and export washing machine, household electric appliance and other product by entrust processing, Prime operating revenue is 21.3973 million yuan in 2006, net profit is -0.59 million yuan in 2006

6.2 Statement of Main Business as per Trade and Product

As per trade or product	Income of Main Business (Yuan)	Cost of Main Business (Yuan)	Profit of Main business (%)	Increase or Decrease of main business (%)	Increase or Decrease of main business cost than last year (%)	Increase or Decrease of main business profit rate (%)
Sanitary ware for housecleaning	21,397,334.82	18,974,392.38	11	-18.37	-22.55	68.71
Washing machine	21,397,334.82	18,974,392.38	11	-18.37	-22.55	68.71
Associated transaction	None					

6.3 Statement of Main Business as per Areas

Region	Income of Main Business (Yuan)	Increase or Decrease of main business (%)
Overseas	21,397,334.82	-18.37

6.4 Statement of use of collected funds

Applicable Not applicable

6.5 Statement of change of projects

Applicable Not applicable

6.6 Statement of projects with non collected funds

Applicable Not applicable

6.7 Statement of the board of directors towards the "nonstandard opinion" of the public accounting firm

Applicable Not applicable

Agree with the explanations issued by the Lixin Certified Accountant Firm in connection with the audit report.

6.8 Primary schedule of the board meeting about the current profit allocation or increase of capital surplus

Applicable Not applicable

The company suffers a consolidated net profit -32,477,278.73 Yuan in 2006. The unallocated profit of last year is -915,986,929.32 Yuan; and the profit to be allocated for 2006 is -948,464,208.05 Yuan.

In view of the continuous loss of the company, the company didn't allocate dividends for 2006, nor increase

shares transferred from the capital surplus. This proposal will submit to 2006 annual stockholder's meeting for consideration.

6.9, The company profit is positive in the report period but does not submit a profit distribution scheme.

Applicable Not applicable

§7 Important matters

7.1 Purchased assets

Applicable Not applicable

7.2 Sold assets

Applicable Not applicable

7.3 Major guarantees

Applicable Not applicable

7.4 Major Transaction with Related Parties

7.4.1 Sales to and purchasing from related parties

Applicable Not applicable

7.4.2 Business transaction of creditor's right and debts with related parties

Applicable Not applicable

7.5 Trusted for financing

Applicable Not applicable

7.6 Performance of the promised items

Applicable Not applicable

7.7 Items of Major Lawsuit and Arbitration

Applicable Not applicable

§8 Report of Board of Supervisors

The board of supervisors agree with the explanation issued by directorate's about the items that Shanghai Lixin Changjiang Certified Accounting Firm issued the audit report that no comments should be made.

§ 9 Financial Reports

9.1 Audit Opinion

Shanghai Lixin Changjiang Certified Accounting Firm has issued the audit report that no comments could be made. See attached audit report, financial statements and the whole text of annotations.

9.2 And the balance sheet, profit statement and cash flow statement of the parent company of current year (attached separately)

9.1 No changes have ever made in respect of accounting policy, accounting estimations and accounting method while compared with the report of last fiscal year.

9.4 There is no alteration of any accounting errors in this report.

9.5 Compared with the report of last year, the mergence range remains the same.

Annual Report of Shanghai Listed Company

Balance sheet

Statement No.1

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Dec. 31, 2006

Unit: Yuan

Assets	Row No.	Remarks VI	Beginning	Ending	Liability and shareholders equity	Row No.	Beginning	Ending
Current assets					current liabilities			
monetary fund	1		101,824.07	83,127.03	short-term loan	61	191,759,400.00	190,659,400.00
short-term investment	2				Bills Payable	62		
bills receivable	3				payable account	63	6,509,826.60	6,509,826.60
dividend receivable	4				advances received	64	20,432,064.63	20,432,064.63
Interest receivable	5				Wage payable	65		
receivable account	6	1	51,829.42		Welfare payable	66	412,939.72	415,977.91
Other account receivable	7	2	17,293,723.31	15,367,898.01	dividend payable	67	984,698.40	984,698.40
advance payment	8				Interest payable	68		
Subsidy receivable	9				taxability	69	1,530,347.03	1,517,610.92
inventory stock	10		28,270.34	28,270.34	Other dues	70	93,276.17	92,692.77
Expenses to be apportioned	11				Other account payable	71	17,890,279.60	17,567,306.27
					drawing expense in advance	72	138,863,672.25	164,108,324.49
Long term claims investment which will come due within one year	21				estimated liabilities	73	3,050,000.00	3,050,000.00
Other current assets	24				Deferred income	74		
Total current assets	30		17,475,647.14	15,479,295.38				
					Longterm liability which will come due in one year.	78	620,000.00	620,000.00
					Other current liability	79		
Long-term investment					Total amount of current liability	80	382,146,504.40	405,957,901.99
Long term equity investment	31	3	8,954,670.71	6,458,083.41	Long term liability:			
Long term claims investment	32	3			Long-term loan	81		
Total amount of long time investment	33		8,954,670.71	6,458,083.41	Bond payable	82		
Including: combined variance in price (credit balance is marked with "-", fill in combined statement)	34				Long term account payable	83		
	35				Special account payable	84		
Fixed assets:					Other long term liabilities	85		
Initial cost of fixed assets	39		4,041,603.94	4,041,603.94	Total amount of longterm liabilities	87		
Deduct: accumulated depreciation	40		3,541,588.64	3,559,853.08	Deferred tax item:	88		
Net value of fixed assets	41		500,015.30	481,750.86	Deferred taxation credit	89		
Deduct: withholding devalue of fixed assets	42				Total liabilities	90	382,146,504.40	405,957,901.99
Net value of fixed assets	43		500,015.30	481,750.86				
Engineering materials	44				Equity of minority shareholders(fill in combined statement)	91		
Project in process	45							

Liquidation of fixed assets	46				Equity of shareholders:			
Total fixed assets	50		500,015.30	481,750.86	subscribed capital	92	236,401,000.00	236,401,000.00
Immaterial assets and other assets:					Capital surplus	93	287,853,684.73	292,308,362.37
Immaterial assets	51				Surplus reserve	94	36,618,563.50	36,618,563.50
Long term expenses to be apportioned	52							
Distribution of share voting rights	53				Detract: unconfirmed investment loss (fill in combined statement)	96		
Other long term assets	54				undistributed profits	97	-916,089,419.48	-948,866,698.21
Total amount of immaterial assets and other assets	55				Detrat:treasury stock	98		
Deferred tax item:					Coverting Difference of Foreign crrency statement(fill in combined statement)	99		
Deferred taxation debits	57				Total equities of shareholders	100	-355,216,171.25	-383,538,772.34
Total assets	60		26,930,333.15	22,419,129.65	Total amount of liaiblity and Equities	101	26,930,333.15	22,419,129.65

Person in charge:
Prepared by:

General Accountant (CFO):

Director taking charge of accountancy :

Annual Report of Shanghai Listed Company
Profit and profit appropriation statement

Statement No.2

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Year: 2006

Unit: Yuan

Item	Row No.	Remarks VI	Last year	Current Year	Item	Row No.	Last year	Current Year
I, Prime operating revenue	1				VI, distributable profit	25	-916,089,419.48	-948,866,698.21
subtract: cost of prime operating	2				Subtract: abstract of legal profit surplus	26		
Tax and additional tax of prime operating	3							
II, Profit of prime operating(Loss should be marked with "—")	4				Reserve for staff bonus and welfare fund of employee	28		
Add: Profit of other operation (Loss should be marked with "—")	5		2,442,707.11	0.02	Reserve fund extracted	29		
Subtract: Operation expense	6				Drawn enterprise development fund	30		
overhead cost	7		8,945,915.71	5,955,912.77	Profit return investment	31		
Financial cost	8		24,741,949.20	25,245,373.04	VII, Distributive profits available for shareholders	35	-916,089,419.48	-948,866,698.21
III, Operating profit(Loss is marked with"—")	10		-31,245,157.80	-31,201,285.79	Subtract: preference stock dividend payable	36		
Add: Earning on investment(loss should be list with"—")	11	4	-137,851.06	-2,443,668.94	Reserve for free surplus accumulation fund	37		
subsidiary earnings	12				Ordinary stock dividend payable	38		
non-operating revenue	13		32,829,237.31	867,676.00	Ordinary stock dividend changed as capital stock	39		
Subtract: nonoperating expenses	14		2,030,480.95		VIII、Unappropriated profit (Uncovered loss is marked with"—")	40	-916,089,419.48	-948,866,698.21
IV, Total profit(Loss is marked with"—")	15		-584,252.50	-32,777,278.73				
Subtract: Income tax	16				Supplementary material:			
Profit and loss of minority shareholders(fill in combined statement)	17				1.Income due to sale and treatment of department or invested unit.	41		
Add: unconfirmed investment loss (fill in	18				2.Loss caused by natural hazard	42		

combined statement)								
					3.Total increase (or decrease) of profit caused by alteraion of accounting policy	43		-
V, Net profit (Loss is marked with"—")	20		-584,252.50	-32,777,278.73	4.Total increase (or decrease) of profit caused by alteration of account estimate	44		
Add: unappropriated profit at the beginning of the fiscal year	21		-915,505,166.98	-916,089,419.48	5. Loss of debt reforming	45		
Other inflows	22				6, Others	46		

Person in charge:

General Accountant (CFO):

Director taking charge of accountancy :

Prepared by:

Annual Report of Shanghai Listed Company

Cash Flow Sheet

Statement No.3

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Year: 2006

Unit: Yuan

Item	Row No.	Amount	Item	Row No.	Amount	Supplementary materials	Row No.	Amount
I, Cash flow generated by business activities			III, Cash flow generated by financing activities			1, Adjust net profit as cash flow of operation		
Cash received through merchandising and labor service	1	22,981.29	Cash received by investment from third party	26		Net Profit(For loss marked with "-")	43	-32,777,278.73
refund of tax	2		Including: Cash received by subsidiary company from investment of minority equity investment	27		Add: profit and loss of minority shareholderLoss is indicated by "-")	44	
Cash received from other activity relating to business management	3	2,134,098.01	Cash received through loan	28		Subtract: Unconfirmed investment loss.	45	
Subtotal cash inflow of operation	5	2,157,079.30	Cash received from other activity relating to financing activities	29	849,095.00	Add: reserve for capital devalue	46	2,297,488.32
			Subtotal cash inflow of financing activities	30	849,095.00	capital depreciation	47	18,264.44
Cash paid out for purchasing commodities and labor service received	6					amortization of invisible assets	48	
cash paid to and for employees	7	2,068,197.38	Cash paid for debts	31		Amortization of long term expenses to be apportioned	49	
Various tax paid	8	281,577.91	Cash paid for dividend,profit of distribution or repaying interest	32		Decrease of expenses to be apportioned (Subtract: Increase)	50	
Cash paid for other activity relating to business management	9	727,888.92	Including: Dividend paid to minority shareholders	33		Increase of reserved fee in advance (subtract: decrease)	51	
Subtotal cash outflow of business operation	10	3,077,664.21	Cash paid for other activity relating to financing activities	34		Loss caused by disposal of fixed assets,invisible assets and other long term assets (subtract:income)	52	
			Including: Cash paid to minority shareholders by subsidiary due to legal decrease of capital	35		abandonment loss of fixed assets	53	
Net amount of cash flow produced from business activities	11	-920,584.91	Subtotal cash outflow of financing activities	36		Financial cost	54	25,244,777.73
			Net amount of cash flow produced from financing activities	40	849,095.00	Investment loss(Subtract: profit)	55	2,443,668.94
						Deferred taxation credit item(Subtract: debits)	56	
						decrease of inventory (subtract: increase)	57	
			IV, cash change due to exchange rate fluctuation	41	-125.49	decrease of business receivables(subtract: increase)	58	2,394,573.40
II, Cash flow generated by investment						Increase of business payables(subtract: decrease)	59	-542,079.01
Cash received by disinvestment	12		V, Net added value of cash and cash equivalent	42	-18,697.04	Others	60	
Including: cash received by selling out branch companies	13					Net amount of cash flow produced from business activities	65	-920,584.91
Cash received by obtaining investment yield	14	52,918.36				2, Investment and financing activities not		

						relating to cash:		
Cash received by disposal of fixed assets, invisible assets and other long term assets	15					capitalization of debt	66	
Other cash received relating to investment.	16					Convertible bond which will come due in one year	67	
Subtotal cash inflow of investment activities	17	52,918.36				Fixed assets by capital lease	68	
						Others	69	
Cash paid for buying fixed assets, invisible assets and other longterm assets	18					3, Net increasement of cash and cash equivalent:		
Cash paid for investment	19					Ending balance of cash	70	83,127.03
Including: cash received by selling out branch companies	20					Subtract: beginning balance of cash	71	101,824.07
Cash paid for other activity relating to investment activities	20					add: ending balance of cash equivalent	72	
Subtotal cash outflow of investment activities	22					Subtract: beginning balance of cash equivalent	73	
						Net added value of cash and cash equivalent	74	-18,697.04
Net amount of cash flow generated from investment activities	25	52,918.36						

Person in charge:

General Accountant (CFO):

Director taking charge of accountancy:

Prepared by

Annual Report of Shanghai Listed Company Combined Balance sheet

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Dec. 31, 2006

Statement No.1
Unit: Yuan

Assets	Row No.	Remarks V	Beginning	Ending	Liability and shareholders equity	Row No.	Remarks V	Beginning	Ending
Current assets					current liabilities				
monetary fund	1	1	924,223.47	3,982,896.44	short-term loan	61	8	191,759,400.00	190,659,400.00
short-term investment	2				Bills Payable	62			
bills receivable	3				payable account	63	9	11,954,199.47	13,106,919.53
dividend receivable	4				advances received	64	10	20,504,735.45	21,141,939.66
Interest receivable	5				Wage payable	65			
receivable account	6	2	2,526,327.17	1,638,525.37	Welfare payable	66		436,026.76	454,263.82
Other account receivable	7	3	16,597,940.81	14,875,677.76	dividend payable	67	12	984,698.40	984,698.40
advance payment	8	4	9,965,555.50	9,405,647.93	Interest payable	68			
Subsidy receivable	9				taxability	69	13	662,448.31	712,157.19
inventory stock	10	5	857,330.17	28,270.34	Other dues	70	14	93,276.17	92,692.77
Expenses to be apportioned	11				Other account payable	71	11	18,995,341.91	18,398,996.60
					drawing expense in advance	72	15	138,863,672.25	164,108,324.49
Long term claims investment which will come due within one year	21				estimated liabilities	73	16	3,050,000.00	3,050,000.00
Other current assets	24				Deferred income	74			
Total current assets	30		30,871,377.12	29,931,017.84	Longterm liability which will come due in one year.	77	8	620,000.00	620,000.00
					Ticket payable	78			
					Other current liability	79			
Long-term investment					Total amount of current liability	80		387,923,798.72	413,329,392.46
Long term equity investment	31	6	2,263,093.62	297,515.25	Long term liability:				
Long term claims investment	32	6			Long-term loan	81			
Total amount of long time investment	33		2,263,093.62	297,515.25	Bond payable	82			
Including: combined variance in price (credit balance is marked with " ", fill in combined statement)	34				Long term account payable	83			
					Special account payable	84			
Fixed assets:					Other long term liabilities	85			
Initial cost of fixed assets	39	7	4,208,103.94	4,474,978.94	Total amount of longterm liabilities	87			
Deduct: accumulated depreciation	40	7	3,691,438.64	3,728,384.33	Deferred tax item:	88			
Net value of fixed assets	41		516,665.30	746,594.61	Deferred taxation credit	89			
Deduct: withholding devalue of fixed assets	42				Total liabilities	90		387,923,798.72	413,329,392.46
Net value of fixed assets	43		516,665.30	746,594.61					
Engineering materials	44				Equity of minority shareholders(fill in	91		743,508.57	684,507.58

					combined statement)				
Project in process	45								
Liquidation of fixed assets	46				Equity of shareholders:				
Total fixed assets	50		516,665.30	746,594.61	subscribed capital	92	17	236,401,000.00	236,401,000.00
					Capital surplus	93	18	287,853,684.73	292,308,362.37
Immaterial assets and other assets:					Surplus reserve	94	19	36,716,073.34	36,716,073.34
Immaterial assets	51								
Long term expenses to be apportioned	52				Deduct: unconfirmed investment loss (fill in combined statement)	96			
Other long term assets	53				undistributed profits	97	20	-915,986,929.32	-948,464,208.05
Total amount of immaterial assets and other assets	54				Deduct: treasury stock	98			
Deferred tax item:					Covering Difference of Foreign currency statement(fill in combined statement)	99			
Deferred taxation debits	55				Total equities of shareholders	100		-355,016,171.25	-383,038,772.34
Total assets	60		33,651,136.04	30,975,127.70	Total amount of liability and Equities	101		33,651,136.04	30,975,127.70

Person in charge:

General Accountant (CFO):

Director taking charge of accountancy :

Prepared by:

Annual Report of Shanghai Listed Company

Combined Profit and profit appropriation statement

Statement No.2

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Year: 2006

Unit: Yuan

Item	Row No.	Remarks V	Last year	Current Year	Item	Row No.	Last year	Current Year
I, Prime operating revenue	1	21	26,211,144.76	21,397,334.82	VI, distributable profit	25	-915,986,929.32	-948,464,208.05
subtract: cost of prime operating	2	21	24,498,596.77	18,974,392.38	Subtract: abstract of legal profit surplus	26		
Tax and additional tax of prime operating	3		4,160.10					
II, Profit of prime operating(Loss should be marked with "—")	4		1,708,387.89	2,422,942.44	Reserve for staff bonus and welfare fund of employee	28		
Add: Profit of other operation (Loss should be marked with "—")	5	22	2,442,707.11	7,565.45	Reserve fund extracted	29		
Subtract: Operation expense	6		1,330,611.27	1,315,626.96	Drawn enterprise development fund	30		
overhead cost	7		9,826,563.44	7,414,957.57	Profit return investment	31		
Financial cost	8	23	24,517,707.99	25,130,816.58	VII, Distributive profits available for shareholders	35	-915,986,929.32	-948,464,208.05
III, Operating profit(Loss is marked with "—")	10		-31,523,787.70	-31,430,893.22	Subtract: preference stock dividend payable	36		
Add: Earning on investment(loss should be list with "—")	11	24	293,266.99	-1,912,660.01	Reserve for free surplus accumulation fund	37		
subsidiary earnings	12				Ordinary stock dividend payable	38		
non-operating revenue	13	25	32,829,237.31	867,676.00	Ordinary stock dividend changed as capital stock	39		
Subtract: nonoperating expenses	14	26	2,030,480.95		VIII, Unappropriated profit (Uncovered loss is marked with "-")	40	-915,602,676.82	-948,464,208.05
IV, Total profit(Loss is marked with "—")	15		-431,764.35	-32,475,877.23				
Subtract: Income tax	16		390.15	60,402.49	Supplementary material:			
Profit and loss of minority shareholders(fill	17		-47,902.00	-59,000.99	1. Income due to sale and treatment of	41		

in combined statement)					department or invested unit.			
Add: unconfirmed investment loss (fill in combined statement)	18				2.Loss caused by natural hazard	42		
					3.Total increase (or decrease) of profit caused by alteraion of accounting policy	43		
V, Net profit (Loss is marked with"—")	20		-384,252.50	-32,477,278.73	4.Total increase (or decrease) of profit caused by alteration of account estimate	44		
Add: unappropriated profit at the beginning of the fiscal year	21		-915,602,676.82	-915,986,929.32	5. Loss of debt reforming	45		
Other inflows	22				6, Others	46		

Person in charge:

General Accountant (CFO):

Director taking charge of accountancy :

Prepared by:

Annual Report of Shanghai Listed Company

Combined Cash Flow Sheet

Statement No.3

Edited by: Shanghai Narcissus Electric Appliances Co., Ltd.

Year: 2006

Unit: Yuan

Item	Row No.	Remarks V	Amount	Item	Row No.	Remarks V	Amount	Supplementary materials	Row No.	Amount
I, Cash flow generated by business activities				III, Cash flow generated by financing activities				1, Adjust net profit as cash flow of operation		
Cash received through merchandising and labor service	1		22,434,957.65	Cash received by investment from third party	26			Net Profit(For loss marked with "-")	43	-32,477,278.73
refund of tax	2			Including: Cash received by subsidiary company from investment of minority equity investment	27			Add: profit and loss of minority shareholder(Loss is indicated by "-")	44	-59,000.99
Cash received from other activity relating to business management	3	27	4,322,045.83	Cash received through loan	28			Subtract: Unconfirmed investment loss.	45	
Subtotal cash inflow of operation	5		26,757,003.48	Cash received from other activity relating to financing activities	29	29	849,095.00	Add: reserve for capital devalue	46	2,709,029.26
				Subtotal cash inflow of financing activities	30		849,095.00	capital depreciation	47	36,945.69
Cash paid out for purchasing commodities and labor service received	6		18,651,120.32					amortization of invisible assets	48	
cash paid to and for employees	7		2,441,902.35	Cash paid for debts	31			Amortization of long term expenses to be apportioned	49	
Various tax paid	8		313,409.36	Cash paid for dividend, profit of distribution or repaying interest	32			Decrease of expenses to be apportioned (Subtract: Increase)	50	
Cash paid for other activity relating to business management	9	28	2,926,911.35	Including: Dividend paid to minority shareholders	33			Increase of reserved fee in advance (subtract: decrease)	51	
Subtotal cash outflow of business operation	10		24,333,343.38	Cash paid for other activity relating to financing activities	34			Loss caused by disposal of fixed assets, invisible assets and other long term assets (subtract: income)	52	
				Including: Cash paid to minority shareholders by subsidiary due to legal decrease of capital	35			abandonment loss of fixed assets	53	
Net amount of cash flow produced from business activities	11		2,423,660.10	Subtotal cash outflow of financing activities	36			Financial cost	54	25,244,777.73
				Net amount of cash flow produced from financing activities	40		849,095.00	Investment loss(Subtract: profit)	55	1,912,660.01
								Deferred taxation credit item(Subtract: debits)	56	
								decrease of inventory (subtract: increase)	57	829,059.83
				IV, cash change due to exchange rate fluctuation	41		-125.49	decrease of business receivables(subtract: increase)	58	3,175,350.16
II, Cash flow generated by investment								Increase of business payables(subtract: decrease)	59	1,052,117.14
Cash received by disinvestment	12			V, Net added value of cash and cash equivalent	42		3,058,672.97	Others	60	
Including: cash received by selling out branch companies	13							Net amount of cash flow produced from business activities	65	2,423,660.10
Cash received by obtaining investment yield	14		52,918.36					2, Investment and financing activities not relating to cash:		
Cash received by disposal of fixed	15							capitalization of debt	66	

assets, invisible assets and other long term assets									
Other cash received relating to investment.	16						Convertible bond which will come due in one year	67	
Subtotal cash inflow of investment activities	17		52,918.36				Fixed assets by capital lease	68	
							Others	69	
Cash paid for buying fixed assets, invisible assets and other longterm assets	18		266,875.00				3, Net increase of cash and cash equivalent:		
Cash paid for investment	19						Ending balance of cash	70	3,982,896.44
Including: cash paid out due to acquisition of branch companies	20						Subtract: beginning balance of cash	71	924,223.47
Cash paid for other activity relating to investment activities	21						add: ending balance of cash equivalent	72	
Subtotal cash outflow of investment activities	22		266,875.00				Subtract: beginning balance of cash equivalent	73	
							Net added value of cash and cash equivalent	74	3,058,672.97
Net amount of cash flow generated from investment activities	25		-213,956.64						

Person in charge:

General Accountant (CFO):

Director taking charge of accountancy:

Prepared by:

Audit Report

Xin Kuai Shi Bao Zi (2007) No.

All shareholders of Shanghai Narcissus Electric Appliances Co. Ltd.:

We made an audit to the Balance Sheet and Combined Balance Sheet of Dec. 31, 2006, the Profit and Profit Appropriation Statement, Combined Profit and Profit Appropriation Statement and annotation of financial statements of 2006, as well as the Cash Flow Sheet and Combined Cash Flow Sheet of 2006 of Shanghai Narcissus Electric Appliance Co. Ltd. (hereinafter called the company).

I. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises. This responsibility includes:

- (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (2) selecting and applying appropriate accounting policies;
- (3) Making accounting estimates that are reasonable in the circumstances.

II. Items listed below which caused us couldn't issue any opinion

1. In 2002, your company has received the whole transfer amount of 11.35 million Yuan for the transfer of the property right of the land and its relevant facilities which are located at NO. 2492-2508 Zhongshan North Road. In 2003, the above mentioned lot was delivered to the transferee, and the transfer procedures were handled. The company has brought forward the loss and gain, without collecting the tax rebate of 629,900 Yuan from the relevant withdrawal transfer income.

2. By Dec. 31, 2006, the balance of the funds collected in advance by the parent company is 20.4321 million Yuan, all of them has an accounting period of more than 3 years. And some of them are not itemized with details. Due to that the main business of your company has been stopped, so we can't confirm the accuracy and truthfulness of the balance.

3. Your company has been into the red conservatively for several years, the main business of your parent company has been halted. The accumulated deficit was up to 947.9264 million yuan by Dec 31st, 2006. This year most of the long-term investments of your company, i.e. corporation share and properties, have been auctioned by the corresponding law court entrusted by banks. The total assets of your company was amounted to 32.5544 million yuan while your total debt was up to 414.3112 million yuan, as a result of it, your net assets value was 382.5010 million yuan in minus. By Dec 31st, 2006, the total loan of your company from the financial institutions totaled 191.2794 million yuan (all that were overdue loans), the loan interests owed to the financial institutions was 164.41083 million yuan, these two amounting to 86% of the total liabilities of your company.

III. opinion

Due to that the above-mentioned matters produce great effect, so we can't issue any opinion about the accounting statements prepared by your company in conformity with the principle of continuous management.

Shanghai Lixin Certified Accounting Firm

China Certified Public Accountant

Shanghai China

April 26,2007