



天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

HALF-YEARLY RESULTS REPORT 2002

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This report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tianjin TEDA Biomedical Engineering Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover decreased by 3.9% over the corresponding period of last year to RMB11,407,799 for the six months ended 30 June 2002.
- Gross profit increased by 1.7% to RMB5,954,307, compared to same period last year.
- Gross profit margin improved from 49% to 52%.
- Loss attributable to shareholders was RMB3,126,311, a 14% increase from the corresponding period of last year.
- Applied for clinical trial for surface modified IOLs.
- Successfully listed on the GEM Board of Hong Kong Exchange on 18 June 2002.

HALF-YEARLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the six months ended 30 June 2002 as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

		For the six months ended 30 June		For the three months ended 30 June	
	<i>Notes</i>	(Unaudited) 2002 <i>RMB</i>	(Unaudited) 2001 <i>RMB</i>	(Unaudited) 2002 <i>RMB</i>	(Unaudited) 2001 <i>RMB</i>
Turnover	3	11,407,799	11,871,124	5,029,793	5,873,939
Less: sales tax		(14,019)	(30,824)	(4,414)	(22,884)
Cost of sales		(5,439,473)	(5,985,826)	(2,214,771)	(3,256,458)
Gross profit		5,954,307	5,854,474	2,810,608	2,594,597
Selling and distribution costs		(4,317,473)	(3,927,024)	(2,067,470)	(2,381,511)
R&D and administrative expenses		(4,698,108)	(4,336,307)	(2,223,681)	(2,404,088)
Operating Profit/(loss)		(3,061,274)	(2,408,857)	(1,480,543)	(2,191,002)
Other income		695,378	69,880	674,350	34,782
Finance expense	4	(688,580)	(275,806)	(378,765)	(177,395)
Profit/(loss) before tax	5	(3,054,476)	(2,614,783)	(1,184,958)	(2,333,615)
Taxation	6	—	—	—	—
Profit/(loss)		(3,054,476)	(2,614,783)	(1,184,958)	(2,333,615)
Amortization on goodwill		(116,792)	(115,511)	(58,396)	(57,756)
Minority interests		44,957	(10,815)	30,041	91,264
Net loss attributable to the Group		(3,126,311)	(2,741,109)	(1,213,313)	(2,300,107)
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share					
— Basic and diluted	7	(1.02) cents	(0.91) cents	(0.39) cents	(0.77) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited) RMB	31 December 2001 (Audited) RMB
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	11,443,626	11,398,926
Goodwill on consolidation		3,717,895	3,834,687
		15,161,521	15,233,613
Current assets			
Inventories		3,829,002	1,916,215
Trade receivables, net	9	6,986,793	6,052,543
Prepayment and other receivables		9,134,669	11,562,123
Due from related parties		299,728	828,765
Due from directors		—	12,397
Cash and bank balances		77,125,688	7,906,435
		97,375,880	28,278,478
Current liabilities			
Short-term bank borrowings		22,500,000	21,000,000
Trade payable	12	2,594,728	1,452,154
Other payables and accruals		3,468,443	4,815,455
Due to directors		3,355	44,800
Current portion of non-current liabilities		1,077,619	2,553,333
		29,644,145	29,865,742
Net current assets/(liabilities)		67,731,735	(1,587,264)
Non-current liabilities		(266,667)	(266,667)
Minority interests		(46,775)	(91,732)
TOTAL NET ASSETS		82,579,814	13,287,950
CAPITAL AND RESERVES			
Share capital	10	40,000,000	30,000,000
Accumulated losses	11	(22,919,765)	(19,793,454)
Capital reserve	11	65,499,579	3,081,404
		82,579,814	13,287,950

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2002 (Unaudited) RMB	2001 (Unaudited) RMB
Cash Flows from operating activities:		
Cash generated from/ (used in) operation	(10,584,933)	(10,579,384)
Net cash outflow from operating activities	(10,584,933)	(10,579,384)
CASH FLOWS FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	30,992	69,729
Interest paid	(688,580)	(275,806)
	(657,588)	(206,077)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(988,488)	(2,752,483)
Payments for acquisition of proprietary technologies	(1,475,714)	—
Net cash used in investing activities	(2,464,202)	(2,752,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term bank borrowings	21,500,000	20,000,000
Repayment of short-term bank borrowings	(20,000,000)	—
Paymant of listing expenses	(22,512,824)	(1,804,131)
Proceeds from listing	103,938,800	—
Net cash generated from financing activities	82,925,976	18,195,869
NET INCREASE IN CASH AND BANK BALANCES	69,219,253	4,657,925
CASH AND BANK BALANCES AT BEGINNING OF PERIOD	7,906,435	13,899,077
CASH AND BANK BALANCES AT END OF PERIOD	77,125,688	18,557,002

Notes:

1. Basis of presentation

The Group has prepared the condensed consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

2. Principal accounting policies

The accompanying condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2001.

3. Turnover

The Group's turnover is derived principally from the sales of diabetic health products and other medical and health products.

An analysis of the Group's turnover by segments is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
Turnover:				
Diabetic health products	10,407,938	9,118,642	4,469,777	4,386,135
Other medical and health products	999,861	2,752,482	560,016	1,487,804
	<u>11,407,799</u>	<u>11,871,124</u>	<u>5,029,793</u>	<u>5,873,939</u>

4. Finance expense

	For the six months ended 30 June		For the three months ended 30 June	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
Interest expenses on bank loans repayable within 5 years	688,580	275,806	378,765	177,395
	<u>688,580</u>	<u>275,806</u>	<u>378,765</u>	<u>177,395</u>

5. Profit before taxation

	For the six months ended 30 June	
	2002	2001
	RMB	RMB
Depreciation of property, plant and equipment	701,245	164,848
Provision for doubtful debts	125,771	—
	<u>827,016</u>	<u>164,848</u>

6. Taxation

a. Enterprise income tax (“EIT”)

The group provides for taxation on the basis of its income for financial purposes, adjusted for income and expense items, which are not assessable for income tax purposes.

b. Deferred taxation

Deferred taxation is provided under the liability method in respect of significant timing differences between profits as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

The Company and its subsidiaries had no taxable profits for the period and therefore no EIT provision was made.

7. Earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2002 was based on the net loss of approximately RMB3,126,311 (2001: RMB2,741,109) divided by the weighted average number of shares issued during the period of 400,000,000 shares (2001: 300,000,000 shares).

8. Additions to property, plant and equipment

During the period, the Group spent approximately RMB988,488 (31 December 2001: RMB5,045,655) on the acquisition of property, plant and equipment.

9. Trade receivable, net

The Group's trade receivable relates to sales of goods from third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivable.

	30 June 2002 (Unaudited) RMB	31 December 2001 (Audited) RMB
Trade receivable	9,091,273	8,031,252
Provision for doubtful accounts	(2,104,480)	(1,978,709)
	<u>6,986,793</u>	<u>6,052,543</u>
Accounts receivable, net	<u><u>6,986,793</u></u>	<u><u>6,052,543</u></u>

The aging analysis of accounts receivable was as follows:

	30 June 2002 (Unaudited) RMB	31 December 2001 (Audited) RMB
Within 3 months	3,667,975	3,215,171
Over 3 months but within 6 months	3,079,738	3,376,882
Over 6 months	2,343,560	1,439,199
	<u>9,091,273</u>	<u>8,031,252</u>
	<u><u>9,091,273</u></u>	<u><u>8,031,252</u></u>

10. Share capital

	30 June 2002		31 December 2001	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	400,000,000	40,000	300,000,000	30,000
Issued and fully paid				
Domestic shares of				
RMB0.1 each	300,000,000	30,000	300,000,000	30,000
H shares of RMB0.1 each	100,000,000	10,000	—	—
	<u>400,000,000</u>	<u>40,000</u>	<u>300,000,000</u>	<u>30,000</u>
	<u><u>400,000,000</u></u>	<u><u>40,000</u></u>	<u><u>300,000,000</u></u>	<u><u>30,000</u></u>

11. Reserves

	Capital reserve <i>RMB</i>	Accumulated losses <i>RMB</i>	Total <i>RMB</i>
Balances as of 1 January 2001	3,081,404	(9,937,118)	(6,855,714)
Net loss for the year	—	(9,856,336)	(9,856,336)
Balances as of 31 December 2001 (Audited)	<u>3,081,404</u>	<u>(19,793,454)</u>	<u>(16,712,050)</u>
Net loss for the three months ended 31 March 2002	—	(1,912,998)	(1,912,998)
Balances as of 31 March 2002 (Unaudited)	<u>3,018,404</u>	<u>(21,706,452)</u>	<u>(18,625,048)</u>
Net loss for the three months ended 30 June 2002	—	(1,213,313)	(1,213,313)
Increase in capital reserve	<u>62,418,175</u>	—	<u>62,418,175</u>
Balance as of 30 June 2002 (Unaudited)	<u><u>65,499,579</u></u>	<u><u>(22,919,765)</u></u>	<u><u>42,579,814</u></u>

12. Accounts payable

The aging analysis of accounts payable was as follows:

	30 June 2002 (Unaudited) <i>RMB</i>	31 December 2001 (Audited) <i>RMB</i>
Within 3 months	1,645,108	778,068
Over 3 months but within 6 months	541,044	670,708
Over 6 months	408,576	3,378
	<u>2,594,728</u>	<u>1,452,154</u>

13. Charges on group assets

As at 30 June 2002, none of the Group's assets was pledged as security for liabilities (2001: Nil).

14. Capital commitments

As of 30 June 2002, the Group had the following capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

Commitments relating to bank loan of RMB2,000,000 granted to a subsidiary of the Company by a PRC licensed bank.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

BUSINESS REVIEW

The Group's business is in the field of biomedical engineering and is principally engaged in the research and development and subsequent commercialization of medical and health products.

With a huge population and rising living standard coupled with the onset of city lifestyle, PRC's demand for medical and health products increases immensely in recent years. The Company, being one of the first movers in the biomedical engineering arena, is gradually showing its true colours through vigorous research and development ("R&D"), successful introduction of new products and effective marketing strategies.

During the six months ended June 30, 2002, turnover of the Group was RMB11,407,799, a decrease of 3.9% as compared to that of the corresponding period in 2001. It was because the institutional restructure of the sales channel of monitor equipment that caused the drop of sales in biomedical equipment.

For the period under review, approximately 9% and 91% of total turnover are derived from the sales of biomedical equipment and diabetic health food products, which were sold under the 'TEDA' and the 'Alpha' brandnames, respectively. The introduction of new biomedical equipments enlarged the Group's product range and contributed to the Group's surging gross profit margin. At the same time, 'Alpha' products continued to be a stable and growing revenue driver. Net loss attributable to the shareholders of the Company during the period under review was approximately RMB3,126,311. Compared to the first half of 2001, the loss attributable to shareholders was increased by 14%.

In the first half of 2002, the Company applied for clinical trial for surface modified intraocular lens (IOLs). Surface modified IOLs is an artificial lens largely used for the treatment of cataract. This product is expected to commence commercialization in the first half of 2003.

Biomedical Equipment:

In 2002, the Company started to realize its efforts in developing biomedical equipment. 3 new products were launched in the first half of 2002, namely nasal tubes, urethral packages and body fluids gathering bags.

One of the Company's competitive strengths is its strong partnership network. The Group cooperates with renowned manufacturers to minimize product lead time, enhance production efficiency and reduce fixed costs investment. During the period, the Company commenced trial production of follicular urethral catheters in conjunction with Tianjin Plastic Research Institute. The Company also cooperates with Shandong Linqi Huayuan Bio-Engineering Company Limited to produce sodium hyaluronate, in the first half of 2003. The Company continues the process of the joint patent application with Tianjin Scientific Research Institute of Pharmaceuticals in respect of the application of Curcumin, a turmeric extract used for the treatment for Hepatitis B.

‘Alpha’ Health Products

As at June 2002, there are 13 kinds of products under the ‘Alpha’ brandname. Products for sale include biscuits, noodles, oatmeal, tea, drinks and mooncakes. Through vigorous marketing, ‘Alpha’ has become a name synonymous with tasty diabetic health food in the PRC.

In the last quarter of this year, the Group will launch new ‘Alpha’ products, namely milk powder for diabetic patients and expect this new product will contribute to the Group’s turnover and margin as well in the fourth quarter of 2002 and onward.

Sales and Marketing

The Group adopts the same partner-centric approach in its sales and marketing activities. During the period, the Company enhanced its direct sales force through various training programmes and helping hospitals to establish treatment centers. The Company also gave out trial samples and lease biomedical equipment to hospitals and treatment centers so as to have medical professionals get familiarized with the Group’s products and thus inducing future purchases.

For the period under review, the Group’s sales and marketing expenses amounted to RMB4,317,473, accounting for approximately 37.8% of turnover.

With the increase in sales volume, future marketing and distribution expenses will be decreased proportionately.

Others

The Company successfully listed on GEM on 18 June, 2002, marking a new phase for the Company both in terms of corporate development and overseas recognition.

Future Prospects

Unprecedented growth is predicted for biomedical engineering in the PRC, due to population increase, especially the elderly population, as well as consumption pattern changes. The Company is well poised to take advantages of this trend with the parental support from Tianjin Economic and Technological Area (‘TEDA’), strengths in R&D and additional resources from successful listing.

The Company will go on focusing on developing new products which are suitable for the PRC market using the biomedical engineering discipline. The Company is planning to speed up the commercialization of biomedical products which are in line with the schedule shown on the prospectus of the Company as well as enhancing penetration through direct marketing with hospitals and clinical institutes.

The Company will continue to strive for excellence with the R&D pillar, ensuring our growth is consistent with market trends. The management believes the current success of our operations in the PRC will continue, bringing long-term fruitful returns to all our shareholders.

BUSINESS OBJECTIVES REVIEW

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 10 June 2002

Actual business progress to 30 June 2002

Products

Clinical catheters:

- Continued R&D of silicone rubber catheters and silicon rubber medical catheters

Dialysis equipment:

- R&D of resin for the absorption of organic phosphorus and the absorption of high lipemia
- R&D for absorption material for Bilirubin and absorption material for treating liver failure
- Commence research on blood perfusion machine and blood plasma separation machine

Surface modified IOLs:

- Apply for production permits
- Continue the R&D on surface modification engineering
- Commence R&D of soft artificial lenses

Sodium hyaluronate:

- Apply for production permit for sodium hyaluronate
- Research relating to molecular structures of different grades of sodium hyaluronate
- Continue research on the sodium hyaluronate membrane to minimize

Products

Clinical catheters:

- Continued R&D of silicone rubber catheters and silicon rubber medical catheters

Dialysis equipment:

- Keep on research of resin for the absorption of organic phosphorus and the absorption of high lipemia
- R&D for absorption material for Bilirubin and absorption material for treating liver failure
- Keep research on blood perfusion machine and blood plasma separation machine

Surface modified IOLs:

- Continue the R&D on surface modification engineering
- Commence R&D of soft artificial lenses

Sodium hyaluronate:

- Research relating to molecular structures of different grades of sodium hyaluronate
- Continue research on the sodium hyaluronate membrane to minimize

Breast implant:

- Continue R&D on aquagel breast implant

Tissue engineering:

- Commence research on skin tissue
- Commence research on human cell division

Medical monitoring systems:

- Commence R&D of respiratory monitors, and monitors enabling remote patient monitoring through internet-based networks

Milk powder for diabetic patients:

- Continue R&D of milk powder for diabetic patients

Biological organic vanadium for diabetic patients:

- Continue and enhance R&D of Biological organic vanadium to lower glucose levels in the blood with the Pharmaceutical Research Centre of the PRC Science and Medical Institute and Nankai University

Herbal research:

- Select herbs and plant extracts which have the effect of lowering glucose levels in the blood including garlic, Chinese goldthread bitter nylon, ginseng and commence R&D as to application and rises of such herbs in diabetic health products

Breast implant:

- Continue R&D on aquagel breast implant

Tissue engineering:

- Commence research on skin tissue
- Commence research on human cell division

Medical monitoring systems:

- Commence R&D of respiratory monitors, and monitors enabling remote patient monitoring through internet-based networks

Milk powder for diabetic patients:

- Applied for production permits

Biological organic vanadium for diabetic patients:

- Continue and enhance R&D of Biological organic vanadium to lower glucose levels in the blood with the Pharmaceutical Research Centre of the PRC Science and Medical Institute and Nankai University

Herbal research:

- Select suitable herbs for further research and development

Strategic alliances

- Active participation by the Group's professional personnel in seminars and conferences of related industries
- Seek for and establish new strategic alliance partners in further developing the Group's business activities in the PRC and possibly overseas

Expansion of research facilities

- Continue to enhance the Group's existing R&D facility

Expansion of distribution network

- Establish marketing and liaison offices for the Group's diabetic health products in Harbin, Xian, Wuhan and Jinan
- Expand sales force of Wan Tai to at least 17 persons

Product Commercialization

- Commence due diligence review of the Proposed Tianjin Tongrentong Joint Venture

Strategic alliances

- Active participation by the Group's professional personnel with Nankai University Elements Chemical Research Institute for trivalent organic chromium and biological organic vanadium
- Continue developing the relationship with new strategic alliance partners in further developing the Group's business activities in the PRC and possibly overseas

Expansion of research facilities

- Continue to enhance the Group's existing R&D facility

Expansion of distribution network

- Establish marketing and liaison offices for the Group's diabetic health products in Harbin, Xian, Wuhan and Jinan
- Also gear up the speed of developing key accounts (like Legou etc) in major cities
- Reengineering/Training the sales force of Wan Tai

Product Commercialization

- Keep negotiation with Tianjin Tongrentong

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As of 30 June 2002, the interests of the Directors of the Company and their respective associates in the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance, or required pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

	Number of shares held and nature of interests				Total
	Personal <i>(note)</i>	Family	Corporate	Other	
Directors					
Professor Gu Hanqing	14,000,000	—	—	—	14,000,000
Mr. Xie Kehua	9,000,000	—	—	—	9,000,000

Note: All represented domestic Shares

Save as of the Company disclosed above, at 30 June 2002, none of the directors and supervisors had any personal, family, corporate or other interests in the equity of the Company, as defined in the SDI Ordinance.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or its subsidiary a party to any arrangement to enable the directors and supervisors of the Company or their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the holder of the interests of 10% or more in the share capital of the Company as recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance was:

Name	Number of shares held	Percentage of interests
TTII	255,000,000 <i>(Note)</i>	63.75%

Note: All represented domestic shares.

Save as disclosed above, the Company is not aware of any person with an interest of 10% or more in the issued capital of the Company as at 30 June 2002.

SPONSOR'S INTERESTS

According to the notification from our sponsor, CSC Asia Limited, as of 30 June 2002, CSC International Holdings Limited, an affiliated company of CSC Asia Limited, held 14,940,000 shares, representing approximately 3.735% of interests in the share of the Company.

By a sponsor's agreement entered into between the Company and CSC Asia Limited pursuant to which CSC Asia Limited has been appointed as sponsor of the Company for the remainder of the year ended 31 December 2002 and for the period of two years commencing from 1 January 2003 and the Company shall pay an agreed fee to CSC Asia Limited for its provision of services.

AUDIT COMMITTEE

Pursuant to the Rules 5.23 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Society of Accountants. In compliance with the Rules 5.24 and 5.25 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and monitor the Company's financial reporting process and internal control system. The audit committee comprises Mr. Shan Ping and Mr. Xan Guoming, who are independent non-executive directors of the Company and Mr. Hao Zhi Hui, who is a supervisor of the Company.

Up to the date of this announcement, one meeting have been conducted by the audit committee in 2002. The meeting was held on 9 August 2002 for discussion of the operating results, statements of affairs and accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2002.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2002, the Group had 248 employees (31 December 2001: 213 employees). Remuneration is determined in accordance with government policies and by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme, medical scheme, unemployment insurance scheme and housing fund.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2002, the Company has not purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

For the six months ended 30 June 2002, the Group has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures.

By Order of the Board
Wang Shu Xin
Chairman

Tianjin, PRC, 12 August 2002