



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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8189)

FIRST QUARTERLY REPORT 2007

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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 for the three months ended 31 March 2007 amounted to RMB87,500,708, representing a decrease of approximately 6.38% over that recorded in the corresponding period of last year. The decrease in sales is mainly attributable to the tight supply of fertilizer products raw materials in the PRC.
- The gross profit margin of the Group for the three months ended 31 March 2007 was lowered from 14.86% to 12.39% as compared with that recorded in the corresponding period of last year. Gross profit of the Group for the same period decreased by approximately 21.95% from that recorded in the corresponding period of last year to approximately RMB10,840,879. Affected by the price increases of raw materials of compound fertilizer products, the cost of production rose. The Group has started to implement measures to strengthen the management and control of its procurement channels. To reduce the cost of procurement of raw materials, the Group has made efforts to implement the unified large-scale procurement plan and increase its bargaining power in the procurement.
- Loss attributable to equity holders was approximately RMB2,646,177 for the three months ended 31 March 2007 (first quarter 2006: profit attributable to equity holders: RMB101,361) whilst there was loss per share of approximately RMB0.43 cents for the same period (first quarter 2006: profit per share of RMB0.017 cents).

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2007, together with the comparative figures of the corresponding period in 2006 as follows:

		For the three months ended 31 March	
		2007	2006
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
		(Unaudited)	(Unaudited)
Turnover	2	87,500,708	93,467,234
Less: sales tax		–	(1,251)
Cost of sales		<u>(76,659,829)</u>	<u>(79,576,379)</u>
Gross profit		10,840,879	13,889,604
Distribution and selling expenses		(7,095,456)	(5,561,229)
R&D and administrative expenses		<u>(4,246,618)</u>	<u>(4,554,512)</u>
Operating (loss)/profit		(501,195)	3,773,863
Finance costs		(1,959,007)	(1,285,124)
Other income less other expenses		(72,493)	301,985
Amortisation on goodwill		<u>–</u>	<u>–</u>
(Loss)/profit before tax		(2,532,695)	2,790,724
Taxation	3	<u>(146,585)</u>	<u>–</u>
(Loss)/profit for the period		<u>(2,679,280)</u>	<u>2,790,724</u>
Attributable to:			
Equity holders of the Company		(2,646,177)	101,361
Minority interests		<u>(33,103)</u>	<u>2,689,363</u>
		<u>(2,679,280)</u>	<u>2,790,724</u>
(Loss)/profit per share	4	<u>(0.43) cents</u>	<u>0.017 cents</u>

Notes:

1. Basis of presentation and accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has had no material impact on the Group’s unaudited results of operations and financial position.

The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group suffered accumulated losses of RMB72,869,230 as at 31 March 2007. The validity of the Group’s ability to continue as a going concern depends on the success of the Group’s future operations and the ability of the Group to renew or replace the banking facilities as they fall due. The Group’s principal banker has confirmed that it will continue to extend banking facility of up to RMB200 million to the Company. Renewal of this facility will be subject to the bank’s normal approval procedures. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2007 on the going concern basis.

The principal accounting policies adopted are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

2. Turnover

The Group’s turnover is derived principally from the sales of fertilizer products and medical and health products.

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

	For the three months ended 31 March	
	2007 RMB	2006 RMB
Turnover		
Biological compound fertilizer products	73,243,575	80,745,096
Medical & health products	14,257,133	12,722,138
	<u>87,500,708</u>	<u>93,467,234</u>

3. Taxation

(a) Enterprise income tax (“EIT”)

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprise (“FIE”). In accordance with the relevant tax regulations, as a production FIE located in TEDA, Tianjin, the People’s Republic of China (the “PRC”), the Company is eligible to enjoy the concessionary EIT of 15%. It is further entitled to exemption from EIT for two years commencing from its first profit-making year after its offsetting prior years’ losses, followed by a 50% reduction of EIT for the three years thereafter. In addition, the Company shall enjoy exemption from 3% local EIT during its actual operational period in TEDA, Tianjin, the PRC. The Company has not provided for any EIT since the tax loss brought forward exceeds the taxable income for the period.

Tianjin Alpha HealthCare Products Co., Ltd. (“Alpha”), being a Sino-foreign joint-venture enterprise located in TEDA, Tianjin, the PRC, is eligible for state EIT at a reduced rate of 15%. It is also entitled to exemption from state EIT for two years commencing from its first profit-making year after offsetting its prior years’ losses, followed by a 50% reduction of state EIT for the three years thereafter. In addition, Alpha is also entitled to exemption from 3% local EIT during its actual operational period in TEDA, Tianjin, the PRC. The state EIT exemption period of Alpha ended in 2003 and the state EIT 50% reduction period of Alpha started on 1 January 2004 until 31 December 2006. Starting from 2007, Alpha is subject to a state EIT at a reduced rate of 15%.

Tianjin Wan Tai Bio-Development Company Limited (“Wan Tai”), being limited company in the PRC, is subject to the statutory 30% EIT and 3% local EIT. Wan Tai has not provided for any EIT since it has no taxable income for the period under review.

Shandong Fulilong Fertilizer Industry Co Ltd. (“SD Fulilong”), being a non-production FIE incorporated in PRC (currently under preparation stage), is subject to the 30% state EIT and 3% local income tax. SD Fulilong has not provided for any EIT since it has no taxable income for the period under review.

Guangdong Fulilong Compound Fertilizers Company Limited (“GD Fulilong”) was exempted from EIT in the PRC as it was qualified as a welfare enterprise approved by the Guangdong Local Tax Bureau during the year ended 31 December 2005. In the opinion of the directors, GD Fulilong had complied with the qualification requirements of a welfare enterprise during the year ended 31 December 2006 and accordingly GD Fulilong should also be exempted from EIT for the year. Starting from 2007, GD Fulilong is subject to the EIT in the PRC and prepays quarterly at 15% income tax rate applicable to high and new technological enterprises which will be settled by the year end. GD Fulilong has not provided for any EIT since it has no taxable income for the period under review.

(b) *Income tax expense*

	For the three months ended 31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	147	Nil

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2007 (first quarter 2006: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB146,585 for the three months ended 31 March 2007 (first quarter 2006: Nil).

The charge for the period can be reconciled to the profit per the income statement as follows:

	For the three months ended 31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before tax	(2,679)	2,791
Tax calculated at the EIT rate of 33%	(884)	921
Tax rate differential	(390)	(1,440)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	1,421	519
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	<u>147</u>	<u>-</u>

4. (Loss)/profit per share

For the three months ended 31 March 2007, the calculation of (loss)/profit per share is based on the Group’s loss attributable to equity holders of RMB2,646,177 (first quarter 2006: profit of RMB101,361), divided by the total number of shares issued by the Company of 610,000,000 shares (first quarter 2006: 610,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (first quarter 2006: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Total	
	2007 RMB	2006 RMB	2007 RMB	2006 RMB	2007 RMB	2006 RMB	2007 RMB	2006 RMB	2007 RMB	2006 RMB
Balance as at 1 January	61,000,000	61,000,000	75,089,571	75,089,571	(70,223,053)	(73,257,471)	2,541,404	2,541,404	68,407,922	65,373,504
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	(2,646,177)	101,361	-	-	(2,646,177)	101,361
Balance as at 31 March	<u>61,000,000</u>	<u>61,000,000</u>	<u>75,089,571</u>	<u>75,089,571</u>	<u>(72,869,230)</u>	<u>(73,156,110)</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>65,761,745</u>	<u>65,474,865</u>

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

For the three months ended 31 March 2007, the Group is principally engaged in the research, production and sale of (1) biological compound fertilizer products, including a series of biological compound fertilizer products under the brands of “Fulilong” and “Lvzhou”, which have been granted “exemption from product quality inspection” by the General Administration of Quality Supervision, Inspection and Quarantine of PRC; and (2) medical and health products, including (i) a series of diabetic health products, such as sugar reducing health foods developed in various forms such as noodles, flour, biscuits, etc.; (ii) a series of products beneficial to the health of human body, such as sugar-free drinks, sugar-free mooncakes, etc.; and (iii) medical device products, such as intraocular lens and others.

The breakdown of the Group’s turnover and gross profit by business segments is set out below:

	For the three months ended 31 March	
	2007 RMB	2006 RMB
Sales income		
Biological compound fertilizer products	73,243,574	80,745,096
Medical and health products	14,257,134	12,722,138
Total	<u>87,500,708</u>	<u>93,467,234</u>
Gross profit		
Biological compound fertilizer products	4,870,726	8,414,635
Medical and health products	5,970,153	5,474,969
Total	<u>10,840,879</u>	<u>13,889,604</u>
Gross profit margin		
Biological compound fertilizer products	6.65%	10.42%
Medical and health products	41.87%	43.03%
Consolidated gross profit of the Group	<u>12.39%</u>	<u>14.86%</u>

For the three months ended 31 March 2007, the sales turnover of the Group recorded a decrease of approximately 6.38% to RMB87,500,708 as compared with that recorded in the corresponding period of 2006.

The decrease in sales is mainly attributable to the tight supply of fertilizer products raw materials in the PRC and, in turn, the production volume could not cope with the customers' sales orders.

Gross profit margin decreased from 14.86% to 12.39%, which is attributable to the drop in the sales turnover and the decrease in the gross profit margin of compound fertilizer products. The overall gross profit of the Group amounted to approximately RMB10,840,879, representing a decrease of approximately 21.95% from that recorded in the corresponding period of 2006.

Affected by the price increases of raw materials in the PRC, the cost of production rose and, in turn, the gross profit of fertilizer products for the three months ended 31 March 2007 decreased 42.12% from the corresponding period of last year to RMB4,870,726 (2006: RMB8,414,635).

During the period under review, the net loss attributable to the shareholders of the Company amounted to RMB2,646,177 whilst there was a profit of RMB101,361 for the corresponding period of last year.

For the first quarter of 2007, approximately 83.71% of the total turnover was generated from the biological fertilizer products sold under the brand "Fulilong" whilst the remaining 16.29% was generated from the sales of the medical and health products.

Biological compound fertilizer products

After the completion of the acquisition of the remaining 49% equity interests of Fulilong in 2006, the Group has basically completed the strategic development of the four production bases of biological compound fertilizer in the PRC. The Group will achieve an annual production capacity of 1.3 million tonnes in 2007 and expand into a biological compound fertilizer manufacturer on an economic scale. It has begun to optimize its existing sales network and strengthen its marketing and management practices.

During the period under review, due to the optimization and adjustment of part of the Group's distribution network in the market, sales turnover of fertilizer products reached RMB73,243,575, accounting for approximately 83.71% of the total sales turnover of the Group in the first quarter of 2007 and representing a decrease of 9.29% from that recorded in the corresponding period of 2006. Affected by the price increases of raw materials in the PRC, the cost of production rose and, in turn, the gross profit of fertilizer products for the three months ended 31 March 2007 decreased 42.12% from the corresponding period of last year to RMB4,870,726 (2006: RMB8,414,635). To cope with such change, the Group has started to implement measures to strengthen the management and control of its procurement channels. To reduce the cost of procurement of raw materials, the Group has made efforts to implement the unified large-scale procurement plan and increase its bargaining power in the procurement. As the Group has completed the strategic development of its production bases, which will commence mass production in 2007, the radiation radius of the logistics area of the market will reduce substantially. The nationwide sales network for the fertilizer products of the Group will develop steadily after optimization and adjustment. Due to increasing market demand resulted from the PRC's continuous effort in promoting compound chemical fertilizer products, it is expected that the sales scale of the fertilizer products of the Group will grow steadily in 2007.

Medical and health products

The sales of the Group's diabetic health food under the brand name of "Alpha" in the PRC market remain steady for the three months ended 31 March 2007. During the period under review, there was an increase by approximately 14.89% in sales turnover for "Alpha" products over that recorded for the three months ended 31 March 2006. "Alpha" products contributed approximately RMB14,067,249 to the Group's turnover in the first quarter of 2007 (first quarter 2006: approximately RMB12,244,233).

The increase in sales was mostly contributed by the increase in sale of sugar free almond juice and the chromium-rich milk powder products. The sugar free almond juice is widely accepted as one of the health drinks in the PRC market, particularly during the period of Chinese new year. With its blood sugar regulating function, the chromium-rich milk powder, a health product approved by the Ministry of Health, is receiving gradual recognition from the diabetic patients in the PRC.

The gross profit margin of “Alpha” products maintained at about 43.13% for the three months ended 31 March 2007 (first quarter 2006: 43.84%).

The Group continued to sell medical equipment products such as intraocular lens (“IOLs”) products in the PRC market through its subsidiary, Tianjin Wan Tai Bio-Development Company Limited (“Wan Tai”). For the three months ended 31 March 2007, there were 3,987 pieces of IOLs sold, arriving at around RMB189,885 (first quarter 2006: RMB99,000) even though the competition in the PRC market is fierce.

Operation of subsidiary

As at 31 March 2007, Guangdong Fulilong Compound Fertilizers Company Limited (“GD Fulilong”) owned production lines located at Guangdong Province and Shaanxi Province, the PRC which have an annual production capacity of approximately 800,000 tones of fertilizer products. The Guizhou production base at Guiyang, Guizhou Province has a production line with an annual production capacity of 200,000 tonnes of highly condensed urea – based compound fertilizer and adopting the technology known as “Melt Granulation Method with High Tower” (高塔熔融造粒). It is expected that the production line will commence production in the first half of 2007.

As announced by the Company on 5 January 2007, the application of GD Fulilong for the land use right certificate in respect of one piece of collective construction land in Dongguan, the People’s Republic of China occupied by it for its production workshops was still being processed and the relevant land use right certificate has not been granted to GD Fulilong. The Company shall issue an announcement as soon as practicable after obtaining the land use right certificate by GD Fulilong.

The Shandong production base at Weifang, Shandong Province of Shandong Fulilong Fertilizer Industry Co., Ltd. has a production line with an annual production capacity of 300,000 tonnes of highly condensed biological compound fertilizer and adopting the technology known as “Melt Granulation Method with High Tower” (高塔熔融造粒). The production line is also expected to commence production in the first half of 2007.

By then, the Group’s annual production capacity of biological compound fertilizer is expected to reach 1.3 million tones.

Distribution and selling

For the period under review, the Group’s distribution and selling expenses amounted to approximately RMB7,095,456, representing approximately 8.1% of the total turnover of the Group for the same period. This recorded an increase of approximately 27.59% as compared with that recorded in the corresponding period of last year (first quarter 2006: RMB5,561,229). The increase was due to the increase in the resources allocated for the sales network of the Group in order to ensure smooth launch of the new products of the production bases which will commence production during the year.

Research and development and administration

For the period under review, the Group’s research and development and administrative expenses amounted to approximately RMB4,246,618, representing a decrease of approximately 6.76% as compared with such expenses recorded in the corresponding period in 2006. The Group continued to maintain stringent cost control policy to strive to lower the research and development and administrative expenses while expanding the scale of sales. As at 31 March 2007, the total employees of the Group was 718 (31 December 2006: 668). The increase was due to the growth of sales team.

Future Outlook

China is a big agricultural country, and also the world's largest producer and consumer of fertilizers. The Chinese Party Central Committee and the State Council pay much attention on issues concerning agricultural industry, rural areas and farmers and have issued for 4 consecutive years the No. 1 Central Document which provides the guideline for agricultural industry, rural areas and farmers' work and call for the development of modern agriculture, that equips the agricultural industry with modern facilities and fosters new farmers to develop agriculture. Agricultural tax has been exempted in the PRC since 2006, in an attempt to cut down cost of agricultural production. Accordingly, agricultural productivity and the demand for fertilizers increase substantially. In recent years, as the State introduced the industrial policies of "increasing a higher compound level of fertilizers and giving strong support for highly condensed compound fertilizers", the production volume of compound fertilizers of nitrogen, phosphorus and potassium increased rapidly from less than 8 million tonnes annually in 2000 to 17.07 million tonnes annually in 2005. As a development orientation for Chinese fertilizer industry, compound fertilizer represents a reform of the agricultural fertilization structure. The Company will take this opportunity, develop its own strengths and gradually establish a strong marketing network.

With a development history of 12 years, Tianjin Alpha HealthCare Products Co., Ltd. has now become a leading domestic enterprise which specializes in the development and production of sugar reducing and sugar-free food. Based on its product series that comprise six major categories of existing sugar reducing health food and five major categories of sugar-free food products approved by the Ministry of Health of the State, leveraging on its own technological edge and in response to the market demand, the Group will continue to launch more new sugar reducing and sugar-free food products, in order to capture a greater market share and provide the Group with a stable source of profit growth.

In response to the intense competition of the PRC market, the Group focuses on the production of high end products by leveraging on the reputation gradually built up by the IOLs under the "Wantai" brand in the domestic market, and implementing the strategy of technological improvement and diversification of product mix, so as to ensure the steady increase in the sales of IOLs.

Under the domestic environment of rapid economic growth, the Group will capitalize on the efforts of all its staff and integrate its advantageous resources to bring better return for its shareholders.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests of the directors and the supervisors of the Company and their respective associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

Long positions in ordinary shares of RMB0.1 each in the Company:

Number of shares held and nature of interests

	Personal (note)	Family	Corporate	Other	Total	Percentage of the issued share capital
<i>Director</i>						
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	1.48%

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2007, none of the directors and the supervisors of the Company had interest in any securities, underlying shares and debentures of the Company or any of its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange as set out in Listing Rules 5.46 to 5.67.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Long position in ordinary shares of RMB0.1 each in the Company:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator	Beneficial owner	234,000,000 <i>(Note 1)</i>	38.36%
Dai Shi Hua	Beneficial owner	32,180,000 <i>(Note 2)</i>	5.28%

Notes:

1. All represented domestic shares.
2. All represented H shares.

Save as disclosed above, as at 31 March 2007, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

CONTINGENT LIABILITIES

As at 31 March 2007, the Company had contingent liabilities amounting to RMB0.8 million (as at 31 March 2006: RMB1.0 million) in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants (previously known as “the Hong Kong Society of Accountants”). The Audit Committee of the Company provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and the internal controls and risk evaluation. The Audit Committee of the Company comprises three non-executive independent Directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2007.

SHARE OPTION SCHEME

During the three months ended 31 March 2007, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted with options to subscribe for the H shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed during the period under review.

COMPETING INTERESTS

During the three months ended 31 March 2007, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the GEM Listing Rules) of the Company competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s shares during the period under review.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedure. The corporate governance principles which the Company complies emphasizes on an efficient board of directors and perfect internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2007, the Company has adopted the principles as set out in the Code on Corporate Governance Practices of Appendix 15 to the GEM Listing Rules and has complied all the code provisions and the best practices recommended (if applicable).

By Order of the Board
Wang Shuxin
Chairman

Tianjin, PRC, 10 May 2007

As at the date of this report, the Board of Directors comprises three executive directors, being Mr. Wang Shuxin, Mr. Zhang Songhong and Mr. Xie Kehua; three non-executive directors, being Mr. Feng Enqing, Mr. Liu Zhenyu and Mr. Xie Guangbei; and three independent non-executive directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.