

Migao Corporation

**Interim Consolidated Financial Statements
Third Quarter, Fiscal 2007
Ended June 30, 2007**

(Unaudited)

Migao Corporation

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For the three and nine month periods ended June 30, 2007 and 2006

(Unaudited)

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Migao Corporation

Interim Consolidated Balance Sheets

(in Canadian dollars)

	June 30, 2007 (Unaudited)	September 30, 2006 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 15,316,837	\$ 16,315,835
Accounts receivable	11,710,539	4,435,769
Prepayments, deposits and other receivables (note 2)	6,783,443	4,891,382
Inventory (note 3)	19,397,526	3,947,193
Due from related party (note 4)	7,884	-
	53,216,229	29,590,179
Plant and equipment (note 5)	21,039,658	13,464,499
Construction in progress	4,120,000	6,203,587
Land use rights (note 6)	12,658,608	7,828,983
	\$ 91,034,495	\$ 57,087,248
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	\$ 2,794,000	\$ 1,410,000
Accounts payable and accrued liabilities (note 6)	6,947,188	5,213,106
Customer deposits	808,508	2,965,101
Due to related party (note 4)	-	530,672
Income taxes payable	74,483	109,308
	10,624,179	10,228,187
Shareholders' equity		
Share capital (note 8)	49,904,806	28,729,591
Contributed surplus (note 8)	9,196,301	2,955,592
Retained earnings (note 9)	24,234,931	15,320,755
Accumulated other comprehensive income (loss) (note 10)	(2,925,722)	(146,877)
	80,410,316	46,859,061
Commitments (note 12)		
Subsequent events (note 13)		
	\$ 91,034,495	\$ 57,087,248

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved on behalf of the Board of Directors

Signed by "Guocai Liu" _____

Director

Signed by "Michael Manley" _____

Director

Migao Corporation

Interim Consolidated Statements of Operations and Retained Earnings

(in Canadian dollars)

(Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues	\$ 26,865,238	\$ 15,426,319	\$ 76,308,398	\$ 42,915,105
Cost of goods sold	20,526,378	12,313,381	59,015,363	32,790,647
Gross profit	6,338,860	3,112,938	17,293,035	10,124,458
Operating expenses				
Selling	950,265	193,102	3,264,583	1,426,741
General and administrative	968,462	545,108	2,732,346	1,315,333
Professional and consulting	320,630	124,000	711,328	343,823
Stock-based compensation	186,106	119,805	681,661	119,805
	2,425,463	982,015	7,389,918	3,205,702
Income from operations	3,913,397	2,130,923	9,903,117	6,918,756
Other income	44,433	36,257	129,999	40,711
Income before income taxes	3,957,830	2,167,180	10,033,116	6,959,467
Provision for income taxes	790,913	161,315	1,118,940	318,254
Net income for the period	3,166,917	2,005,865	8,914,176	6,641,213
Retained earnings,				
beginning of period	21,068,014	11,358,541	15,320,755	6,723,193
Retained earnings,				
end of period	\$ 24,234,931	\$ 13,364,406	\$ 24,234,931	\$ 13,364,406
Income per share:				
Basic	\$ 0.09	\$ 0.08	\$ 0.28	\$ 0.31
Diluted	\$ 0.08	\$ 0.08	\$ 0.27	\$ 0.31
Weighted average number of common shares outstanding:				
Basic	36,019,784	24,186,216	32,334,403	21,662,072
Diluted	38,399,026	24,260,457	33,292,664	21,686,819

The accompanying notes are an integral part of these interim consolidated financial statements.

Migao Corporation

Interim Consolidated Statements of Comprehensive Income (Loss)

(in Canadian dollars)

(Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Net income for the period	\$ 3,166,917	\$ 2,005,865	\$ 8,914,176	\$ 6,641,213
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	(5,243,404)	(640,136)	(2,778,845)	(395,233)
Comprehensive income (loss)	\$ (2,076,487)	\$ 1,365,729	\$ 6,135,331	\$ 6,245,980

The accompanying notes are an integral part of these interim consolidated financial statements.

Migao Corporation

Interim Consolidated Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash flows from operating activities				
Cash receipts from customers	\$ 19,271,519	\$ 9,612,269	\$ 66,896,239	\$ 33,912,847
Cash paid to suppliers and employees	(30,674,176)	(18,329,304)	(80,450,302)	(41,034,254)
Income taxes paid	(55,910)	(159,364)	(295,564)	(159,364)
Interest received	38,552	15,539	85,909	19,993
Interest paid	(29,569)	(41,190)	(125,480)	(41,190)
	(11,449,584)	(8,902,050)	(13,889,198)	(7,301,968)
Cash flows from investing activities				
Purchase of plant and equipment	(365,877)	(166,908)	(4,919,378)	(600,682)
Value added taxes on plant and equipment refund received	81,839	-	81,839	-
Construction in process	(2,253,258)	(1,314,605)	(4,511,133)	(4,099,527)
Payments for land use rights	(397,024)	(222,400)	(5,317,148)	(1,519,384)
	(2,934,320)	(1,703,913)	(14,665,820)	(6,219,593)
Cash flows from financing activities				
Proceeds from (payment of) bank loan	2,794,000	(1,456,000)	1,384,000	-
Advances from (repayment to) related parties, net	(1,177,725)	1,494,386	(562,243)	3,129,194
Issuance of common shares, net	(23,451)	16,125,726	22,993,040	16,156,726
Proceeds from exercise of underwriters' compensation options	291,472	-	472,302	-
Proceeds from exercise of warrants	2,248,646	-	3,268,921	-
Advances from director	-	-	-	20,546
	4,132,942	16,164,112	27,556,020	19,306,466
Increase (decrease) in cash and cash equivalents	(10,250,962)	5,558,149	(998,998)	5,784,905
Cash and cash equivalents, beginning of period	25,567,799	2,682,327	16,315,835	2,455,571
Cash and cash equivalents, end of period	\$ 15,316,837	\$ 8,240,476	\$ 15,316,837	\$ 8,240,476
Cash and cash equivalents consist of:				
Cash on hand	\$ 9,417,103	\$ 7,981,238		
Term deposit	40,000	40,000		
Bank notes	5,859,734	219,238		
	\$ 15,316,837	\$ 8,240,476		

The accompanying notes are an integral part of these interim consolidated financial statements.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

1. Nature of Operations and Basis of Presentation

Nature of Operations

Migao Corporation ("the Company" or "Migao"), through its wholly owned Subsidiaries, is a manufacturer of specialty potash-based fertilizers, produced at its three operational facilities in the People's Republic of China ("PRC").

The Company

Migao holds 100% of the issued and outstanding capital of H.K. Migao Industry Limited ("HK Migao"), which in turns holds 100% of the issued and outstanding capital of Sichuan Migao Chemical Fertilizer Industry Co. Ltd. ("Sichuan Migao"), Guangdong Migao Chemical Co. Ltd. ("Guangdong Migao"), Liaoning Migao Chemical Co. Ltd. ("Liaoning Migao"), Migao Chemical Industry (Shanghai) Co. Ltd. ("Shanghai Migao") and Migao Chemical (Changchun) Co. Ltd. ("Changchun Migao") (collectively, the "Subsidiaries").

Basis of Presentation

These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries in the PRC. These interim financial statements have been prepared by the management of the Company using the same accounting policies and methods as the most recently audited financial statements of Migao. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, the financial statements should be read in conjunction with the audited financial statements of Migao for the year ended September 30, 2006. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period's presentation.

Accounting policy changes including initial adoption

Effective October 1, 2006, the Company implemented the new CICA accounting sections: 3855 (Financial Instruments – Recognition and Measurement), 3865 (Hedges), and 1530 (Comprehensive Income). These new accounting policy changes have been implemented prospectively with no restatement of comparative financial statements, except as noted below.

Comprehensive income includes net income and other comprehensive income. It is defined as the change in equity (net assets) of a company during the period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during the period except those resulting from investments by owners and distributions to owners. The only item included in other comprehensive income is the foreign currency translation of self-sustaining foreign operations. As a result, the previously recorded currency translation account on the consolidated balance sheets' shareholders' equity section has been eliminated and included as "accumulative other comprehensive income" in shareholders' equity. Furthermore, the gain (or loss) from translating the Company's self-sustaining foreign operations is now recorded as other comprehensive income. Prior years financial statements have been restated to reflect this change. The Company's earnings per share presented on the consolidated statements of income is based upon its net income and not comprehensive income.

The adoption of sections 3855 and 3865 had no impact on the Company's financial statements.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

2. Prepayments, Deposits, and Other Receivables

	June 30, 2007 (Unaudited)	September 30, 2006 (Audited)
Prepayments for raw materials	\$ 2,493,737	\$ 2,689,982
Prepayments for construction costs	896,916	1,416,103
Prepayment for transportation services	33,017	1,390
Deposits for the supply of utilities	281,095	252,816
VAT receivable	1,169,936	347,177
Other receivables and deposits	1,908,742	183,914
	\$ 6,783,443	\$ 4,891,382

3. Inventory

	June 30, 2007 (Unaudited)	September 30, 2006 (Audited)
Raw materials	\$ 10,552,405	\$ 3,670,084
Finished goods	816,984	213,129
Packing materials	145,585	63,980
Goods in transit	7,882,552	-
	\$ 19,397,526	\$ 3,947,193

4. Related Party Balances and Related Party Transactions

At the end of the periods, the Company had related party balances as follows:

	June 30, 2007 (Unaudited)	September 30, 2006 (Audited)
Amount due from:		
Liaoning Yongcheng Economic and Trade Development Co. Ltd. ("LYEDC")	\$ 7,884	\$ (530,672)

Migao and LYEDC are related due to common control. The amounts are non-interest bearing and due on demand.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

5. Plant and Equipment

			June 30, 2007 (Unaudited)
	Cost	Accumulated Amortization	Net Book Value
Buildings and improvements	\$ 9,369,474	\$ 631,962	\$ 8,737,512
Machinery and equipment	13,609,670	2,054,932	11,554,738
Vehicles	827,461	275,633	551,828
Office equipment	298,036	102,456	195,580
	\$ 24,104,641	\$ 3,064,983	\$ 21,039,658
			September 30, 2006 (Audited)
	Cost	Accumulated Amortization	Net Book Value
Buildings and improvements	\$ 6,708,599	\$ 352,976	\$ 6,355,623
Machinery and equipment	7,812,532	1,202,871	6,609,661
Vehicles	477,459	184,680	292,779
Office equipment	273,120	66,684	206,436
	\$ 15,271,710	\$ 1,807,211	\$ 13,464,499

Amortization expense for the three and nine months period ended June 30, 2007 was \$512,959 and \$1,334,097 (June 30, 2006 - \$230,347 and \$641,901), respectively.

On June 11, 2007, Guangdong Migao was approved by the local tax authority for tax credits totalling \$858,200 (RMB 6,078,538) on purchases of domestic equipment during calendar year 2006. These credits will be applied against future profit taxes levied to Guangdong Migao.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

6. Land Use Rights

	June 30, 2007 (Unaudited)	September 30, 2006 (Audited)
Land use rights	\$ 12,856,191	\$ 7,859,142
Less: accumulated amortization	197,583	30,159
	\$ 12,658,608	\$ 7,828,983

As of June 30, 2007, the Company had thirteen land leases from the Chinese government with terms of fifty to seventy years.

Amortization expense for the three and nine months period ended June 30, 2007 was \$29,799 and \$179,516 (June 30, 2006 - \$51 and \$4,617), respectively, and are included in general and administrative expenses.

As of June 30, 2007, the Company had not obtained the land use right certificates for nine of the land leases and approximately \$2 million has been accrued as the balance due on the issuance of the certificates. It is common practice in the PRC that the land use right certificates are only issued when the government has serviced the land ready for construction.

Under the PRC law, land use rights can be revoked and the tenants can be forced to vacate at any time when re-development of the land is in the public interest.

7. Bank Indebtedness

At June 30, 2007, the Company has short-term bank loans outstanding totaling \$2,794,000 (RMB 20 million) for working capital purposes.

<u>Amount</u>	<u>Due Date</u>	<u>Interest per annum</u>	<u>Secured by</u>
\$ 698,500	February 20, 2008	6.7095%	certain land use rights
\$ 698,500	April 16, 2008	6.7095%	certain land use rights
\$ 1,397,000	May 29, 2008	6.57%	certain land use rights

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

8. Share Capital

(a) **Authorized:**

Unlimited common shares without par value.

(b) **Issued common shares**

	Number of Shares	Amount
Balance – September 30, 2006	29,111,921	\$ 28,729,591
Issued on exercise of underwriters' compensation options (i)	53,449	152,330
Fair value of underwriters' compensation options (i)		58,259
Fair value of warrants issued (i)		(24,854)
Issued on exercise of underwriters' compensation options (ii)	10,000	28,500
Fair value of underwriters' compensation options (ii)	-	10,900
Fair value of warrants issued (ii)	-	(12,900)
Issued on exercise of underwriters' compensation options (iii)	90,000	256,500
Fair value of underwriters' compensation options (iii)		98,100
Fair value of warrants issued (iii)		(58,950)
Issued on exercise of underwriters' compensation options (iv)	12,271	34,972
Fair value of underwriters' compensation options (iv)		13,375
Fair value of warrants issued (iv)		(8,283)
Exercise of warrants (v)	883,492	3,268,921
Fair value of warrants exercised (v)	-	583,105
Issued pursuant to a private placement at \$4.15 per share (vi)	6,025,000	25,003,750
Share issuance costs (vi)	-	(2,010,710)
Fair value of warrants issued on private placement (vi)	-	(5,512,875)
Fair value of underwriters' compensation options issued (vi)	-	(704,925)
Balance - June 30, 2007	36,186,133	\$ 49,904,806

(i) Each of the 53,449 underwriters' compensation options exercised consisted of 1 common share and ½ common share purchase warrant. The options were valued at \$1.09 per option. The warrants issued on the exercise of these options are valued at \$0.93 per warrant with the following assumptions: dividend yield 0%; risk-free interest rate 4.08%; expected volatility 66%; and expected life of 1.6 years.

(ii) Each of the 10,000 underwriters' compensation options exercised consisted of 1 common share and ½ common share purchase warrant. The options were valued at \$1.09 per option. The warrants issued on the exercise of these options are valued at \$2.58 per warrant with the following assumptions: dividend yield 0%; risk-free interest rate 4.10%; expected volatility 106%; and expected life of 1.3 years.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

8. Share Capital (continued)

(b) Issued common shares (continued)

(iii) Each of the 90,000 underwriters' compensation options exercised consisted of 1 common share and ½ common share purchase warrant. The options were valued at \$1.09 per option. The warrants issued on the exercise of these options are valued at \$1.31 per warrant with the following assumptions: dividend yield 0%; risk-free interest rate 4.18%; expected volatility 108%; and expected life of 1.1 years.

(iv) Each of the 12,271 underwriters' compensation options exercised consisted of 1 common share and ½ common share purchase warrant. The options were valued at \$1.09 per option. The warrants issued on the exercise of these options are valued at \$1.35 per warrant with the following assumptions: dividend yield 0%; risk-free interest rate 4.69%; expected volatility 108%; and expected life of 0.92 years.

(v) During the quarter ended June 30, 2007, 607,742 (883,492 for the nine months ended June 30, 2007) of the common share purchase warrants issued in relation to the private placement financing on May 18, 2006 were exercised at \$3.70 per share. The warrants were valued at \$0.66 per warrant using the following assumptions: dividend yield 0%; risk-free interest rate 4%; expected volatility 66%; and expected life of 2 years.

(vi) On February 22, 2007 (the "closing date"), the Company completed a private placement of 6,025,000 units priced at \$4.15 per unit with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share on payment of \$5.30 per common share within two years from the closing date. The fair value of the warrants issued with the private placement was estimated using the Black-Scholes option pricing model on the closing date of the private placement to be \$1.83 per warrant. Assumptions used to determine the value of the warrants were: dividend yield 0%; risk-free interest rate 4.11%; expected volatility 106%; and expected life of 2 years. In addition to the agency fee of \$1,750,263 paid in cash, the Company granted compensation options entitling the agents to acquire 301,250 compensation units at price of \$4.15 per unit within two years from the closing date. Each compensation unit comprises of one common share and one-half warrant. Each whole warrant entitles the agent to acquire one common share on payment of \$5.30 per common share within two years from the closing date. The fair value of the compensation options granted with the private placement was estimated using the Black-Scholes option pricing model on the closing date of the private placement to be \$2.34 per option. Assumptions used to determine the value of the compensation options were: dividend yield 0%; risk-free interest rate 4.11%; expected volatility 106%; and expected life of 2 years.

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

8. Share Capital (continued)

(c) Contributed surplus		Amount
Balance – September 30, 2006	\$	2,955,592
Fair value of exercised underwriters' compensation options		(180,634)
Fair value of warrants issued on the exercise of underwriters' compensation options		104,987
Stock-based compensation expense		681,661
Fair value of warrants exercised		(583,105)
Fair value of private placement warrants		5,512,875
Fair value of underwriters' compensation options		704,925
Balance - June 30, 2007	\$	9,196,301

(d) Stock options

Under the Company's stock option plan, the Company may grant stock options to directors, senior officers, employees and advisors and is authorized to issue options to acquire up to 10% of the issued and outstanding shares of the Company. The board of directors or such other persons designated by the board administers the plan and determines the vesting and terms of each award.

The following table summarizes the activity of the Company's stock option plan.

	Shares	Weighted average exercise price
Outstanding – September 30, 2006	1,165,000	\$ 2.85
Granted during the period	120,000	8.08
Outstanding – June 30, 2007	1,285,000	\$ 3.34

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

8. Share Capital (continued)

(d) Stock options (continued)

The following table summarizes the weighted average information about the outstanding stock options.

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$2.85	1,165,000	3.88	388,333
\$7.69	60,000	5.00	NIL
\$8.46	60,000	5.00	NIL
\$3.34	1,285,000	3.98	388,333

During the year ended September 30, 2006, 1,165,000 options were issued to the employees and directors of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$2.85 per common share. These options have vesting periods of up to three years and an exercise period of up to five years, expiring on May 18, 2011. The fair value of the options issued was estimated using the Black-Scholes option pricing model on the date of issue to be \$1.40 per option. Assumptions used to determine the value of the options were: dividend yield 0%; risk-free interest rate 4%; expected volatility 66%; and expected life of 5 years. Stock-based compensation expense for the three and nine months period ended June 30, 2007 was \$182,430 and \$677,985 (June 30, 2006 - \$119,805 and \$119,805), respectively.

During the quarter ended June 30, 2007, 60,000 options were issued to a director of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$7.69 per common share. These options have vesting periods of up to three years and an exercise period of up to five years, expiring on June 27, 2012. The fair value of the options issued was estimated using the Black-Scholes option pricing model on the date of issue to be \$6.14 per option. Assumptions used to determine the value of the options were: dividend yield 0%; risk-free interest rate 4.5%; expected volatility 108%; and expected life of 5 years. Stock-based compensation expense for the three months period ended June 30, 2007 was \$1,850 (2006 – NIL).

During the quarter ended June 30, 2007, 60,000 options were issued to employees of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$8.46 per common share. These options have vesting periods of up to three years and an exercise period of up to five years, expiring on June 27, 2012. The fair value of the options issued was estimated using the Black-Scholes option pricing model on the date of issue to be \$6.06 per option. Assumptions used to determine the value of the options were: dividend yield 0%; risk-free interest rate 4.5%; expected volatility 108%; and expected life of 5 years. Stock-based compensation expense for the three months period ended June 30, 2007 was \$1,826 (2006 – NIL).

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

8. Share Capital (continued)

(e) Warrants

As at June 30, 2007, the following share purchase warrants were outstanding:

September 30, 2006	Issued	Exercised	Expired	June 30, 2007	Exercise price	Expiry Date
3,181,500	82,860	883,492	-	2,380,868	\$ 3.70	May 18, 2008
-	3,012,500	-	-	3,012,500	\$ 5.30	February 22, 2009
3,181,500	3,095,360	883,492	-	5,393,368		

(f) Underwriters' Compensation Options

As at June 30, 2007, the following underwriters' compensation options were outstanding:

September 30, 2006 (outstanding and exercisable)	Issued	Exercised	Expired	June 30, 2007 (outstanding and exercisable)	Exercise price	Weighted average remaining contractual life (years)
445,410	-	165,720	-	279,690	\$ 2.85	0.88
-	301,250	-	-	301,250	\$ 4.15	1.65
445,410	301,250	165,720	-	580,940	\$ 3.52	1.28

9. Retained Earnings

Under the laws of the PRC, all wholly owned foreign investment entities have to set aside a portion of their net income each year as a general reserve fund until the fund has reached 50% of the entity's paid in capital. The Company is also required to set aside a portion of net income as an expansion fund. These funds are allowed to be distributed to shareholders at the time of winding up. The fund accumulated by the Company as at June 30, 2007 was \$2,548,084 (RMB 18,239,691; September 30, 2006 – \$444,674 or RMB 3,153,714).

Migao Corporation

Notes to Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2007 and 2006

(in Canadian dollars)

(Unaudited)

10. Accumulated Other Comprehensive Income

	Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations
Balance – September 30, 2006	\$ (146,877)
Unrealized foreign currency translation losses during the period	(2,778,845)
Balance – June 30, 2007	\$ (2,925,722)

11. Segmented Information

The Company has one operating segment, being the production and sale of specialty potash-based fertilizer, along with their associated by-products. All of Company's assets and operations, with the exception of a corporate office in Toronto, Canada, are located in the PRC.

12. Commitments

Purchase commitments for raw materials and supplies in the amount of \$8.5 million (RMB 61 million) exist as of June 30, 2007. These contracts are entered into in the normal course of business.

Commitments on capital expenditures in the amount of \$4.6 million (RMB 33 million) exist as of June 30, 2007. These contracts are entered into in the normal course of business.

13. Subsequent Events

Subsequent to the period end, the following transactions were completed:

Subsequent to June 30, 2007 and as of August 13, 2007, 100,000 options, 356,655 warrants and 346,640 underwriters' compensation options were exercised for gross proceeds of \$3,005,983.