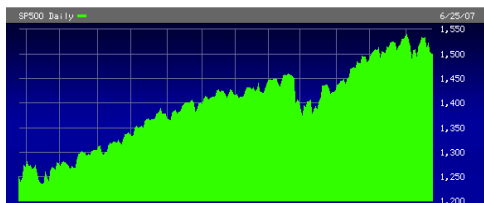




HC International China Client Update

Dear Friends and Investors,

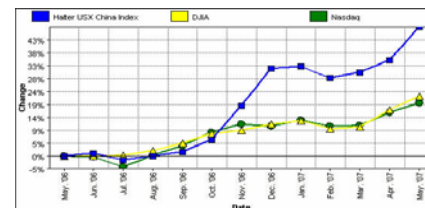
During the second quarter of 2007 the market showed tremendous resolve as it brushed off several lingering macro concerns in addition to a new batch of “worries” that quickly and unexpectedly emerged. Issues such as the health of the U.S. consumer, a wavering dollar and relentless upward commodity pressure continued to weigh on investor psyche. Further volatility in the overseas markets, particularly the Shanghai Composite Index and an increase in global bond yields collectively added more fuel to the fire. Despite these issues, and supported by the escalating private equity buyout frenzy, the S&P 500 increased 5.4% from the end of the first quarter to June 25, 2007 with the NASDAQ composite increasing 6.4% and the Shanghai Composite increasing 28.5%. The S&P 500, after a multi-year recovery, in late May finally eclipsed the all-time highs that were achieved in the summer of 2000. The Shanghai Composite continues to set records almost on a daily basis.



S&P 500 1 year chart



Shanghai Composite 1 year chart



Halter Index 1 year chart (blue) vs. DJIA (yellow) and NASDAQ (green)

During a bull market it is considered healthy when there is still fear present, a data point which typically indicates that investors are not “fully invested and all in.” A smarter investor than I once said, “When things often look like they are at their best, it is the point you should worry the most.” With that in mind, we view these concerns as not only healthy, but a necessary component for a continued strong market environment. However, we remain of the belief that this upward bias will not be without subsequent pullbacks, particularly as we enter the summer doldrums and we will remain vigilant to monitor signs of euphoria which are often consistent with market tops.

As China becomes an increasingly “hot button” for investors and politicians alike, I marvel at the fervor as to which investing in China has begun to consume the masses. Not a day goes by that one reading the Wall Street Journal will not find a related article concerning the Chinese marketplace and economy. While warranted, especially in light of China overtaking the United Kingdom as the fourth largest economy as measured by GDP, the coverage in some U.S. periodicals appears to rival that of domestic events. With that being said, let us touch on a few of the related major headlines that occurred during the last three months.

First, the restrictive and often unpredictable actions of the Chinese government once again took center stage. In an effort to cool down the rise in the Shanghai market, the government tripled the effective tax on individual trades, a tool they have utilized frequently to influence share prices, while making public statements about the inherent risk in the market for investors. The domestic Chinese market, in reaction to the news, plunged 6.3% the following day. Millions of citizens have invested their life savings in a market that has nearly quadrupled since the start of last year with a “casino” mentality beginning to take hold. Many of these investors, with little to no experience in buying stocks, have been opening brokerage accounts at an unprecedented pace of roughly 300,000 a day, with a record of 455,111 accounts opened on one particular day last month. As of May, it was estimated that there are 90 million traders in mainland China, representing more than 70% of the daily volume, with many of them basing their investment decisions simply on the numeric ticker and the associated good luck of those respective numbers. Unlike a similar market drop that took place in February, this time the global markets dismissed this move as a normal correction and in fact markets have since recovered these losses to move higher.

We continue to be of the mindset that the Shanghai market will experience significant volatility and the likelihood of a further correction is probable. However, it’s important to note that we do not view this as a negative barometer for many of the Chinese stocks listed here in the U.S. Our belief is predicated on several factors, most importantly the multiple discrepancies between the Shanghai exchange and China-based US listed equities, in particular our client portfolio. Currently, the Shanghai market trades at approximately 40 times 2007 earnings forecasts while our client roster trades on average at approximately 13 times projected 2007 earnings. For reference, the S&P 500 trades at 17 times earnings. And while we believe the Shanghai Composite appears to be poised for consolidation, one must take into consideration that there are a limited number of places for Chinese investors to invest their money. Besides real estate, Chinese citizens must turn to the domestic market to generate a return as investing internationally is not an option. Investors who place funds in a savings account quickly learn they will only earn about 3% on their money, which is below the current inflation rate of 3.4% as reported by the government in May. Additionally, shorting in the Shanghai and Shenzhen markets are illegal, index futures do not currently exist and still a relatively small percentage of the population have put their new found wealth into the market. All of these factors could

Continued, next page

Letter Continued:

artificially drive the market to higher levels for longer durations than what seems rational.

Second, we consider the Chinese government's dramatic \$3 billion investment into Blackstone Group prior to its U.S. IPO a landmark event. Blackstone, one of the largest global private equity firms, allowed the Chinese Government to invest at roughly a 5% discount to the planned IPO price. It appears that one of the ancillary benefits for Blackstone is to cultivate relationships with the government to assist in future deals. While the actual dollars invested in relation to China's trade surplus is small, it still represents a cataclysmic shift for the Chinese government from investing solely in U.S. treasuries, and investor's will continue to monitor the implications this may hold for domestic bond yields. In addition, this event foreshadows a potential buying spree of Chinese based private companies that could add additional excitement to an already hot market.

Another topic that seems to be gaining increasing attention in the marketplace is the escalating trend of defective and sometimes dangerous Chinese exports. Most recently, Hangzhou Zongce Rubber Co., a Chinese tire manufacturer, allegedly sold as many as 450,000 tires into the U.S. market that were lacking a number of common materials which help ensure tire safety. Currently, several U.S. government agencies are performing tests on the tires related to multiple deaths and if these allegations are found true it will be one of the largest tire recalls in history. As with any market that is experiencing hyper growth, unbridled capitalism left unchecked can lead to its own unique set of problems. The U.S. certainly went through similar growing pains during the industrial revolution. However, this latest incident follows several other high profile product quality issues such as the discovery of lead paint on children's toys, hazardous materials in Chinese toothpaste and tainted pet food. With China being so visible in the global market and depending so heavily on exports, the Chinese government must act decisively to ensure manufacturers are adhering to established safety standards so as to avoid attracting further attention from already hyper-sensitive consumers and politicians alike.

Finally, in our last newsletter we touched on the major shakeup at the China State FDA brought about by years of corruption surrounding drug approvals and other improprieties. Not only was Mr. Zheng Xiaoyu removed from his position but he was sentenced to death for his actions. The severity and quick response on the part of the government illustrates their desire to eradicate corruption in China. While certainly not condoning the severity of the sentence, we applaud the action on the part of the government to address this long standing issue and we feel this is a major step towards legitimizing business in China. Last year China attracted a total of \$69.5 billion in foreign assets and in order to sustain this momentum the Chinese government must continue to act swiftly to address these concerns while putting in further protections to guard against such issues as intellectual property rights, environmental protection legislation and land ownership rights among many others. We will anxiously await the convening of the Seventeenth National Chinese Communist Party Congress scheduled in the fall for further insight into many of these important topics.

Following, is a brief recap of our client highlights from the last three months:

- China Fire & Security Group, Inc. (CFSG: OTCBB) posted a 43% year over year increase in revenues to \$9.5 million for the first quarter 2007. Excluding non cash benefits, proforma net income was \$3.3 million for the quarter or a 33% increase in proforma EPS to \$0.12 per weighted average diluted share. During the quarter the Company expanded its independent board of directors and applied for listing on the NASDAQ Capital Markets. Additionally, in April the Chinese government set forth regulations to establish fire safety codes in the nation's industrial iron and steel plants and in a short time since the Company has already been awarded a \$7.6 million contract with Anshan Iron & Steel Group. Lastly, Roth Capital initiated research coverage on the Company.
- China Medicine Corporation (CHME: OTCBB) reported a 34% increase in revenue to \$5.1 million for the first quarter which ended March 31. Net income increased 162% to \$0.8 million or \$0.06 per diluted share. The Company recently expanded its product portfolio by adding nearly 800 new and established pharmaceutical drugs which will leverage its broad distribution platform. Management continues to pursue research and development initiatives with the goal of introducing additional higher margin proprietary products which will collectively become a larger percentage of overall revenue.
- China Housing and Land Development (CHLN: OTCBB) completed a \$25 million private placement with institutional and accredited investors. Proceeds will be utilized for necessary capital expenditures on the Company's Baqiao project and the development of their Junjing Garden II project. Management estimates that the Company's combined real estate portfolio has the potential to generate \$750 million in revenues over the next four years. As part of this private placement, management has committed to a "make good" net income target of \$16.3 million in 2007 and \$35.8 million in 2008. Post the deal the Company has approximately 31.0 million fully diluted shares outstanding.

Continued, next page

Letter Continued:

New Client Additions:

- Gulf Resources, Inc. (GUF: OTCBB) produces and distributes specialty chemical products in the PRC through its two wholly owned subsidiaries: Shouguang City Hao Yuan Chemical Industry Co., Ltd. (SCHC) and Shouguang Yu Xin Chemical Industry Co., Ltd. (SYCI). SCHC is one of the top producers and distributors of bromine and crude salt in China, which are utilized to manufacture a wide variety of industrial compounds and products, while SYCI produces chemical products and agents which are used in oil and gas field exploration, distribution, drilling, wastewater processing, and for papermaking.

The Company is one of six in China to hold a coveted license for bromine production and distribution and is in the process of acquiring and consolidating several bromine facilities located in close proximity to the Company's headquarters. On May 29th management provided guidance of \$45 million in revenues and \$11 million in net income for 2007, which does not include the bromine based asset purchase of Dong Ying City Liu Area, which is expected to contribute \$7.0 million in revenues and \$1.8 million in net income during the coming year.

In conclusion, while we see many reasons for investors to pause, we remain bullish on the longer-term markets and the general economic evolution taking place in China. Areas such as health care, real estate, the environment and industrial build-out continue to be attractive and our team remains committed to uncovering quality situations and working closely with management teams who are capable of executing on their business plans. While it appears the Chinese government is courting domestic companies to file on local exchanges, the long duration and complexity to achieve a domestic listing in the PRC seems to hold positive future implications for the number of Chinese companies who will continue to pursue the U.S. markets. This, combined with our belief that our market provides one of the greatest opportunities for creating sustained shareholder value, further supports our view that savvy owners will continue to recognize and embrace how a U.S. listing can benefit them.

As always we look forward to seeing friends, investors, companies and management teams alike as we embark on future road shows, due diligence visits and conferences.

Have a happy and safe summer.

Regards,

Matthew Hayden
President
Hayden Communications International

Christopher Donnelly
Senior Analyst
Hayden Communications International

Alan Sheinwald
Partner
HC International Emerging Growth

China Housing and Land Development Announces \$25 Million Private Placement



China Housing and Land Development Inc. (CHLN:OTCBB)

Based in Xian, the capital city of the Shaanxi province in China, China Housing and Land Development, Inc. "China Housing" is the largest non government affiliated developer of residential and commercial properties in the region. China Housing, a former SOE, was privatized by current management in 1998 and became public in the U.S in 2006. The current management team possess over twenty years of related industry experience and has a strong track record and reputation of profitably developing a variety of different residential and commercial developments. China Housing has been named a "AAA Enterprise in the Shaanxi Construction Industry" and has been ranked as the #1 private housing and land development company as recognized by the China Enterprise Confederation and China Directors Association. Additionally, the Company has attained "Level 1" status under the China Ministry of Construction licensing policy. This is the highest level awarded by the government and allows the Company to develop small to large sized projects. Residential project sizes have historically averaged 1,000 to 1,200 unit developments with adjacent commercial space. The majority of residential developments are sold directly to consumers through onsite sales centers with the commercial space being either sold or leased (to companies including major retailers). By the end of 2006, the Company completed a total of 7 projects, encompassing almost 4.2 million square feet.

Xian Market Facts:

- Xian had 8.05 million residents in 2005 and is expected to grow to over 10.0 million by 2010 or a 5.0% CAGR. Xian is currently one of the "Top 10" largest cities in China.
- Popular tourist destination and thriving industrial center located in northwestern central China.
- GDP growth of 15% per annum over the past several years.
- High density of hi-tech, military, aeronautic and pharmaceutical manufacturing companies in addition to many well-known universities to support future growth and local economic consumer empowerment.
- Central government drivers in place to expand growth and move Xian into a regional economic center as part of Beijing's "Go West" strategy.
- Xian government expects residential living space to increase to 269 sq/feet per person (average) by 2010 which will necessitate 1.259 billion sq/feet of total housing, an annual increase of 787 million sq/feet.

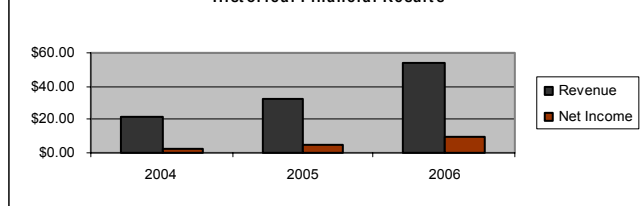
Investment Highlights:

- From 1999 through 2006 revenue from property development grew from approximately \$2.4 million in 1999 to approximately \$54.1 million in 2006 with net income increasing from a loss in 1999 to over \$9 million in 2006.
- Revenue for 2006 increased 65% to \$54.1 million, net income improved 91% to \$9.05 million. Fully diluted EPS increased 88% year over year to \$0.45 per share.
- 2006 results benefited from increased residential and commercial sales at the Company's Tsining 24G and Tsining JunjingYuan (aka Junjing Garden 1) projects and a 7.4% increase in annualized sales prices. Strong revenue growth and cost controls lead to a 3.5% y/y increase in operating margins to 25.1% from 21.6% last year.
- The Company remains in a solid financial position with \$72.6 million in total assets and \$42 million in real estate held for sale. During 2006 the Company generated \$6.4 million in positive operating cash flow.
- In March the Company announced the acquisition of Xi'an New Land Development Company for \$34 million USD. This acquisition will provide China Housing with the sales right to 487 acres of the available residential and commercial land in the highly coveted Baqiao Hi Tec Industrial Zone. In the future Baqiao is expected to be a major suburb in Xian and management believes sales of this project could exceed over \$500 million over the next four years.
- On May 10, the Company completed a \$25 million private placement with institutional and accredited investors. Proceeds will be used for acquisition of Xi'an New Land Development Company and working capital. Management has committed to a "make good" target of \$16.3 million in 2007 net income and \$35.8 million in net income for 2008.
- Experienced management and legal team, strong brand name and access to capital provide the Company with premium development opportunities and a building pipeline of potential projects.
- Multiple new development opportunities in addition to Baqiao including, Junjing Garden II (1,500 unit development), Yinjing Garden (1,500 unit development), Kang Canyon (150 luxury villas). These four projects are expected to generate approximately \$750 million in revenue over the next four years.

Past Project Development:

Project Name	Type	Square Feet	Start Date	Completion Date	Revenue	Project IRR
Tsining Hanyuan	Residential	346,799	February 2002	December 2003	\$14.1 million	164%
Tsining Gangwan	Residential	510,812	April 2003	December 2004	\$15.9 million	273%
Tsining Home IN	Residential	248,345	April 2002	December 2003	\$12.3 million	175%
Lidu Mingyuan	Residential	86,114	October 2000	November 2001	\$4.1 million	45%
Tsining Mingyuan	Residential	571,078	March 1998	April 2000	\$20.7 million	45%
					Average IRR	140%

Historical Financial Results



Sector: Commercial and Residential Property Development

China Housing and Land Development, Inc.
6 Youyi Dong Lu,
Han Yuan 4 Lou
Xi'an, Shaanxi Province
China 710054

SELECT FINANCIALS

OTCBB: CHLN

Fiscal Year End: Dec. 31st

Current Price (6/25/07): \$4.65

52-Week Range: \$1.25-\$4.90

Fully Diluted Shares Outstanding*: 30.1 Million

Mgmt Ownership: 17%

Market Cap: \$140M

Revenue 2006: \$54M

Net Income 2006: \$9.1M

Shareholders Equity 3/31/07: \$20.4M

Auditor: Moore Stephens

Legal: Baker Mackenzie

*includes recent private placement

China Fire & Security Announces New Contract Valued at \$7.6 million



China Fire & Security Group, Inc.

Founded in 1995 and listed in the U.S in October 2006, China Fire & Security Group Inc. “China Fire” is currently the largest manufacturer, distributor and installer of industrial fire protection products and services in China. The Company currently offers a broad product portfolio including fire detection, fire control and fire extinguishers to customers operating in the iron, steel, power and petrochemical industries, in addition to providing the necessary design and installation service for each system. Sales are conducted through company owned and liaison offices in more than 20 cities across China. The Company’s established suite of products and services are sold under the “Sureland” brand name. In addition, China Fire sells and integrates other manufacturers products to offer a total packaged solution. The Company has 28 issued patents covering fire detection, system control and fire extinguishing technologies with 3 additional patents pending.



Sector: Technology
Industry: Fire Protection

China Fire & Security Group
South Banibidian Industrial Park
Liqiao Township, Shunyi District
Beijing 101304, PRC

SELECT FINANCIALS	
OTCBB: CFSG	
Fiscal Year End:	December
Current Price (6/25/07):	\$6.60
52-Week Range:	N/A
Fully Diluted Shares Outstanding:	27.9m
Market Cap:	\$184.1
Revenue (TTM)	\$35.3m
Net Income (TTM Non GAAP)*	\$10.3m
Net Cash	\$10.7m
Management Ownership	52%
Institutional Ownership	9%
Auditor	Moore Stephens
Legal	Cadwalader, Wickersham and Taft, LLP

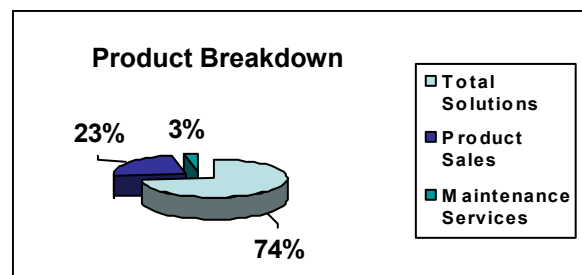
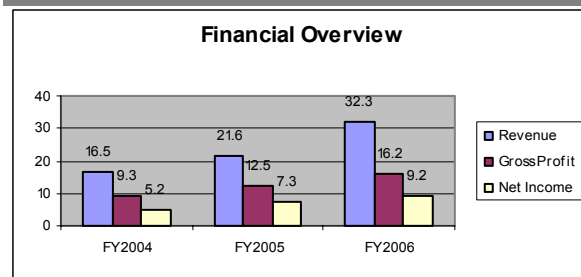
*Excludes \$2.2 million in non cash Charges + a \$0.8 million non cash gain

Investment Highlights:

- China Fire is the first company in China to leverage a combined offering of high technology fire protection and safety products to premier industrial customers.
- The Company’s proprietary product line addresses all aspects of industrial fire safety from fire detection to fire system control and extinguishing.
- China Fire has secured numerous major industry honors—The Company was listed No 1. in the category of “System Contracting Enterprises” and is ranked highly among the “Top 30 Companies in Fire Protection Industry” by the China Fire Protection Association.
- Annual gross revenue numbers for the fire prevention and remediation industry in the PRC exceeded \$3.7 billion (USD) in 2005 with the industrial sub sector estimated at \$900 million. Industry experts expect market growth of at least 11% annually for the next five years.
- Based on the Fire Service Law enacted in 1998 and the Safety Production Law in 2002 there are established Government drivers in place to drive further industry adoption. On April 13, 2007 the Ministry of Construction of the PRC announced the first national fire protection standard named “Code of Design on Fire Protection and Prevention for Iron & Steel Metallurgy Enterprises.” China Fire worked cooperatively with the Government to establish the new standard, with these new guidelines helping to further outline what systems and products are recommended for iron and steel plants to ensure adequate fire safety.
- As a result of these new guidelines, in June the Company signed an initial contract with Anshan Iron & Steel for \$7.6 million which represents the first phase of deployment and consists of four systems for four new plants which are being built on the coast city of Yingkou in the Liaoning province. This contract is a continuation of a relationship that already exists between Anshan and China Fire as China Fire has won \$25 million in contracts over the last seven years. Anshan is the second largest iron and steel manufacturer in China.
- Large and under penetrated market for existing structures with inadequate fire safety systems. It is estimated that 80% of industrial plants are not compliant with current fire safety requirements. Management believes that the Iron and Steel industry alone represents an \$800 million opportunity.
- China Fire has only 3% of the domestic market share while providing a superior product offering at comparably lower price points creating ample opportunities for growth both in China and abroad.
- Strong R&D capability with two “best in class” industrial testing facilities, a senior staff of 30, broken into four groups based on Detection, Controller, Fire Extinguishing and System Integration. Cooperative relationships with major universities and technical consultants to drive industry leading product innovation.
- 30,000 sq. ft. manufacturing facility in Beijing + recently acquired facility outside of Beijing for new product introductions. Estimated 50% capital utilization with ample room to accommodate future growth.
- In April the Company appointed four new Directors with each bringing the Company industry experience in Fire Protection, Corporate Governance and Accounting. Additionally with the Board now complete the Company is applying for a NASDAQ listing.

Financial Highlights:

- The Company’s revenue breakdown is as follows: “total solutions” (74%), “product sales” (23%) and “maintenance services” (3%). Total solutions include the complete design and installation of fire prevention and suppression systems. Product sales represent the sale of proprietary and other fire remediation products. Maintenance service is related to the installation of relevant fire prevention & suppression systems.
- For the three months ended March 31, 2007 revenue increased 42.8% to \$9.5 million compared to \$6.7 million. Gross profit increased 42.7% to \$5.0 million and yielded gross margins of 52.8%. Income from Operations rose 54.7% to \$3.3 million. Excluding a non-cash gain, pro forma net income was \$3.3 million compared to \$2.2 million in 1Q06, a 50.8% increase with pro forma fully diluted EPS increasing 33% to \$0.12
- In October 2006 the Company completed an \$8.0 million private placement with institutional investors at \$3.25. There are a total of 1.2 million warrants associated with the placement with an average strike of approximately \$4.00 per share. In conjunction with the private placement management has committed to a “make good” of \$13.0 million in net income and earnings per share of \$0.46 for 2007.



Home System Group Announces New Acquisitions



Home System Group is a leading manufacturer and distributor of a diversified range of home appliances and stainless steel gas grills. Through its wholly owned distributor, Oceanic International (Hong Kong), Home System markets and distributes stainless steel grills, electronic fans, fruit processors, laser printers, and other electronic appliances to retailers in the US, Europe, and Australia. Through its wholly owned manufacturing subsidiary, Oceanic Well Profit, Inc. (Guandong Province, PRC), Home System produces private label products, such as stainless steel grills, industrial ladders, tool storage and industrial racks for some of the largest “blue chip” retail customers in the world, including Home Depot and Costco. The company maintains a 864,000 square feet manufacturing facility located on 82.5 acres of land, which is equipped with 500 pieces of production equipment and employs a staff of over 1,200, including 278 R&D technicians who have developed a broad and growing new product pipeline.

Investment Highlights

- For the quarter ended March 31, 2007 Revenues were \$11.7 million, gross profits were \$1.6 million, income from operations totaled \$1.0 million while net income was \$0.9 million.
- Approximately \$4.2 million of revenue came from the January acquisition of Oceanic Well Profit, Inc., China’s largest grill manufacturer with current annual production capacity of approximately US\$75 million. This acquisition expands the Company’s product offerings, provides access to sales opportunities in the domestic Chinese market, and significantly increases the Company’s R&D capabilities. Consideration was 42.5 million shares and \$3 million in cash.
- Oceanic Well Profit has five interchangeable production lines which can produce 710,000 grills, or in combination, 450,000 grills, 3 million water pumps, and 2 million tool and hardware cabinets annually.
- In April of 2007 Home System Group acquired Zhongshan City Juxian Gas Oven Co. Juxian develops and manufactures a broad range of stainless steel and metallic grills, with retail price points between \$100 and \$600, in addition to gas heaters and ovens. The acquisition helps Home System Group increase revenues, improve utilization and future margins while broadening the product portfolio.
- In June of 2007, management announced the asset purchase of a new coffee maker line from Keyun Light Industry Machinery Co. Ltd for \$2.0 million. Management expects moving the manufacturing line to their existing plant and leveraging the Company’s established customer base to increase sales.
- Management gave 2007 guidance and expects revenues to be roughly \$70 million, which would represent a 165 percent increase from the \$26.4 million reported for 2006. Net income is expected to increase roughly 492 percent for the year to \$8.3 million from \$1.4 million reported in 2006 and excludes any potential future non-cash charges related to the amortization of goodwill from prior acquisitions. Current guidance excludes the contribution from Juxian Gas Oven Co and Guangzhou City Keyun Light Industry Machinery Co. Ltd.

Industry: Manufacturing and Distribution

Began Trading - October 2006

Home System Group
No. 5A Zuanshi Ge
Fuqiang Yi Tian Ming Yuan
Fu Tian Qu, Shenzhen City
PR China 518000

Tel: 86-760-8482888

Website:
www.homesystemgroup.com

SELECT FINANCIALS

(OTCBB:HSYT)

Fiscal Year End:	Dec 31
Share Price	\$4.50
Market Cap	\$326 million
F/D Shares Outstanding*	72.5 million
2006 Revenue	\$26.4 million
2006 Net Income	\$1.4 million
Management Ownership	64 %

Products

- The **BBQ grill** is made of stainless steel and operates on natural gas. Price points at the retail level are approximately \$450 with customers located in the US and to a lesser extent Europe. The overall market sizes is \$4 Billion and \$2 Billion respectively.
 - 85% of American families own a grill
 - Home Depot uses Ocean Well Profit for its Charm glow™ brand
 - Total current annual capacity of 710,000 units or 450,000 if multiple products are manufactured
- Home Systems is beginning production on a tool storage line.
 - Planning to be sold in Costco
 - The U.S market is approximately 600,000 units annually or \$240 million in sales
 - Plan to grow this product line by manufacturing high quality products at competitive price points while further penetrating the current customer base
- The **hardware cabinets** are mainly for use in small warehouses and by consumers in their garage or storage area. Stores tools, components, hardware and small machines.
 - Current annual capacity of 2 million units
- Future products: Steel vacuum vessel coffee maker, skateboards, fans, residential lighting, industrial racks.



SIGNIFICANT EXPANSION OPPORTUNITIES

- 864,000 square feet currently situated on approximately 82.5 acres. The property can accommodate over 3x increase of current manufacturing facilities = to over 2.5 million square feet.
- Acquisition Targets—Fragmented market with local and regional manufactures of products utilized in the home
- Compelling ROI to purchase smaller specialized manufacturers of complementary products and pursue domestic growth opportunities as the Chinese consumer becomes financially empowered

*includes recent \$40 million financing

GUFR Announces Acquisition and Results For 1Q07



6 month chart for GUFR

Sector: Basic Materials
Industry: Specialty Chemicals

Corporate Headquarters:
Cheming Industrial Park Unit
Haoyuan Chemical Co Limited
Shouguang City, Shan F4
262714

Company Contact: Ethan Chuang
Phone: 310.470.2886
E-mail:
Ethan@gulfresourcesco.com
Web Site:
www.gulfresourcesco.com

OTCBB: GUFR

SELECT FINANCIALS

Fiscal Year End: December 31

Current Price (6/25/2007) \$2.00

Shares Outstanding (5/10/07) 49.4 million

Market Cap \$98.8 million

Revenue (1Q07)* \$10.1 million

Net Income (1Q07)* \$2.6 million

EPS \$0.06

Gulf Resources, Inc (GUFR: OTCBB) is a leading provider of chemical products in the PRC through its two wholly-owned subsidiaries: SCHC and SYCI. **SCHC** manufactures and distributes Bromine and Crude Salt. Bromine is utilized to manufacture a wide variety of industrial compounds and pharmaceutical products. **SYCI** manufactures chemical products utilized in oil & gas field exploration and as papermaking chemical agents. **SYCI** serves large customers such as SINOPEC and PetroChina.

Financial Highlights and Recent Events

- ◆ 2007 FINANCIAL GUIDANCE—Management expects revenues to increase 150% to \$45 million with net income of \$11 million. This includes the February 2007 acquisition of SYCI which is expected to contribute \$16 million in total revenues and the April 2007 asset purchase of bromine producer Shouguang City Qinshuibo Area.
- ◆ The Company has identified several applicable bromine acquisition targets located in close proximity which do not carry the appropriate licenses and would complement growth.
- ◆ GUFR has increased its bromine output to 19,000 tons annually.
- ◆ First Quarter Earnings Highlights—Revenues increased 35% to \$10.1 million and net income increased 50% to \$2.6 million, yielding \$0.06 in EPS.
- ◆ May 7—GUFR subsidiary SYCI signed a long term agreement with Huaneng Yimin Power Plant for its proprietary, environmentally friendly biocide product utilized in power generation, solidifying its entry into an established and growing market opportunity
- ◆ June 11 - GUFR subsidiary SCHC purchases Dong Ying City Liu Hu Area which is expected to yield \$6.85 million in revenue and \$1.85 million in net income. The company paid \$6.7 million in consideration through a combination of cash and equity.
 - ◆ The Dong Ying City Liu Hu acquisition is not included in the 2007 guidance.

Gulf Resources principal business is conducted through 2 wholly-owned subsidiaries:

Shouguang City Hao Yuan Chemical Industry Co., Ltd. (SCHC)

- ◆ SCHC is engaged in the manufacturing and trading of Bromine and Crude Salt in China
- ◆ Largest producer in China with over a ten percent market share
- ◆ KEY ASSET—1 of 6 companies in China with a license to produce and distribute bromine
- ◆ SCHC maintains a 50-year mineral rights and land lease covering over 81,000 acres of property with proven and probable reserves of over 1 million tons of bromine.
- ◆ Current bromine production capacity is estimated between 15,200 and 19,000 tons annually with the potential to increase yield by installing new production equipment

Shouguang Yu Xin Chemical Industry Co., Ltd. (SYCI)

- ◆ Produces chemical products utilized for oil and gas field explorations, oil and gas distribution, oil field drilling, wastewater processing, papermaking chemical agents.
- ◆ April 30—Signed supplier agreement for proprietary product line with Daqing Oilfield Company, a subsidiary of China National Petroleum.
- ◆ May 7—Entered Power Generation market with a long term supply agreement for its environmentally friendly biocide—expected to yield \$1.1 million in initial revenues annually
- ◆ During 2006, SYCI reported revenues of \$13.9 million and net income of \$2.7 million, which resulted from the production and sale of:
 - ◆ 10,000 tons of oil and gas field explorations and related chemical products
 - ◆ 7,000 tons of papermaking-related chemical products

Investment Highlights

Resource

- ◆ China is the third largest bromine producer worldwide behind the US and Israel
 - ◆ Production output is estimated to reach over 130,000 tons/year in China
 - ◆ Bromine Sales Worldwide are \$1.24B with \$290M emanating from China
- ◆ GUFR maintains property rights on over 47 square kilometers of property containing over 1,050,000 tons of proven reserves

Product

- ◆ Bromine, original salt and other chemical products manufactured by the Company address several emerging market and Industrial needs which are experiencing rapid growth
- ◆ These products are critical raw materials for the oil and paper making industry

Exploitation

- ◆ GUFR is one of six companies in China which has been granted the exploitation license for bromine. A license is necessary to both produce and distribute while government regulations are being aggressively enforced

Management

- ◆ The GUFR team, 30% consisting of senior technical workers, has a wealth of experience in the industry and to date has developed a portfolio of over thirty kinds of chemical products

China Medicine Announces First Quarter Results



China Medicine Corporation (OTCBB: CHME)

China Medicine is a Tier One distributor of medical products, traditional pharmaceutical medicines, traditional Chinese medicines, Chinese herbs and dietary supplements to over 800 customers located in 28 provinces throughout China. The Company was a former SOE which was privatized in 2000 by management, distributes more than 2,250 products and is actively building a pipeline of proprietary traditional and Chinese herbal remedy products. Current product sales include both prescription drugs and over-the-counter drugs treating a variety of ailments utilizing both traditional western medicine and traditional Chinese medicine. China Medicine's products are sold to hospitals, medicine companies and drug stores. New proprietary product development efforts to date have been concentrated in the areas of lung and intestinal cancer, high blood pressure and the removal of aflatoxin's from food and animal feed. Research and development partnerships are established with two prominent Chinese universities in addition to one strategic joint venture. Collectively, these will assist the Company with commercializing new products. Additionally, China Medicine holds intellectual property and patents on products to treat conditions such as chronic bronchitis, heat exhaustion, constipation and indigestion.



Sector: Healthcare
Industry: Pharmaceuticals

China Medicine Corp
US Address:
24A Jefferson Plaza
Princeton, NJ 08540
Tel: (732) 438-8866

China Address:
9 Siyou South 1st Street
Yuexiu District
Guangzhou, 510600 China
Tel: 01186-20-78372231
Web Site:
www.chinamedicinecorp.com

OTCBB: CHME

Fiscal Year End
December 31

Price (as of
6/25/07) **\$3.05**

Market Cap **\$59.5 million**

F/D Shares
Outstanding* **19.5 million**

Inside Ownership **39%**

2005 Revenues **\$14.9 million**

2005 Net
Income **\$5.7 million**

2006 Revs **\$23.9 million**

2006 Pro-
forma Net
Income** **\$5.7 million**

Working
Capital **\$16.6 million**

Auditor Moore, Stephens,
Wurth & Frazer

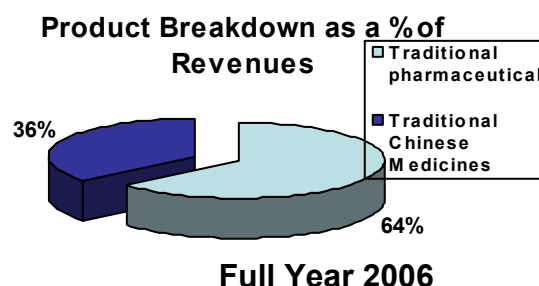
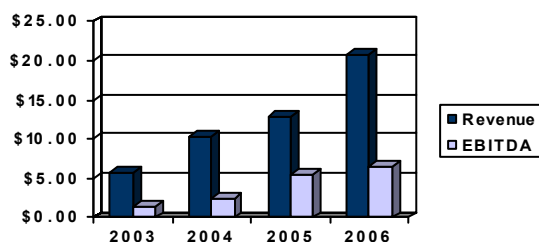
Legal Guzov, Ofsink

Investment Highlights

- For the first quarter of 2007, revenues were \$5.1 million representing 33.7% year over year growth.
- Product sales increased 39.0% to \$4.9 million for the first quarter versus 1Q06 as the company generated \$0.8 million in new product revenue versus last year. Sales of proprietary products totaled \$0.5 million which increased 126.8 percent from the same period last year.
- Sales of medical formulations decreased \$0.09 million or 29.2 percent from last year as the Company was impacted by the recent slowdown in the approval process for new drugs from the China State FDA.
- Gross profit was \$1.7 million, up 25.1% year over year. Gross margins for 1Q07 were 33.1% as the Company experienced pricing pressure on several key product lines which were impacted by a change in Chinese Government pricing policies. The Company is looking to expand their proprietary product offering, specifically in the plant-based pharmaceutical space to augment revenue growth and improve overall margins. Operating income increased 102.2% to \$0.9 million as operating expenses decreased 15.6%. The Company also benefited from a reduction in non-cash charges.
- Net income increased 162.0% to \$0.8 million, resulting in EPS of \$0.06 vs. \$0.04 in 1Q06.
- In April 2007, the Company announced that it has acquired the rights to sell and distribute approximately 800 new and established pharmaceutical products to hospitals and medical facilities in Guangdong Province PRC. The Company has now secured an approximate 50% increase in their product offering for 2007 as compared to 2006.
- 2006 distribution of revenues were; traditional pharmaceutical medicines accounted for 64.0% of sales, traditional Chinese medicines were 35.0% as compared to 68% and 32% respectively last year. Proprietary products and IP made up approximately 23% of 2005 and 2006 revenue.
- Consistent track record of providing profitable results as the Company has posted a 38% and 46% CAGR for both revenue and EBITDA respectively over the last four years.

Growth Strategy

- Capture favorable macro demographics in regards to population growth; wealth, increased age and health awareness to drive strong product revenue.
- Selectively forge exclusive distribution rights with product manufacturers on drugs that are in high demand and are not subject to pricing pressure.
- Continue to focus on research and development of new medicines to expand the Company's proprietary product offering and improve profitability.
- Commercialize the Company's aflatoxin enzyme (ADTZ) which could be a large growth opportunity given limited competition and product efficacy.
- Selectively look to acquire a manufacturing presence with GMP (good manufacturing practice) licenses to begin manufacturing the Company's own proprietary products creating differentiation in the market and expanded margin opportunities.
- Exploit China Medicine's broad geographic footprint and customer base while continuing to build the "Kozern" brand in the market.



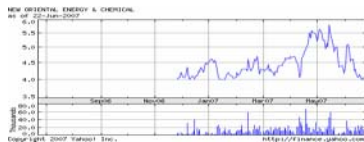
*Includes 7.4 million in warrants not yet exercised which would yield \$15.7 million in proceeds

**Excludes \$900,000 in non-cash reverse merger expenses

NOEC Begins Trading on the Nasdaq, Company Announces New Orders and Facility Expansion, Adds New CFO



New Oriental Energy
& Chemical Corp.



Sector: Manufacturing
Industry: Specialty Chemical/
Alternative Energy

New Oriental Energy & Chemical
Xicheng Industrial Zone,
Luoshan, Xinyang,
Henan, China 464200

Tel: 86-376-2169990
Fax: 86-376-2169211
Web Site:
www.fareastenergychemical.com

Auditor:
Weinberg & Company, P.A.
Boca Raton, Florida

Transfer Agent:
Corporate Stock Transfer
Denver, CO

SELECT FINANCIALS

(Nasdaq:NOEC)

Fiscal Year End:	March 31
Share Price	\$3.85
Market Cap	\$48.7 million
F/D Shares Outstanding	12.64 million
Management Ownership	59%
Employees	1,000
FY 2006 Revenue	\$30.1 Million
Net Income	\$2.8 Million
<u>Dec 31, 2006</u> <u>9MoFY07</u>	
Revenue	\$28.4 Million
Net Income	\$1.8 Million

New Oriental Energy and Chemical Corp. is an established and profitable specialty chemical manufacturer in China which has successfully leveraged its core expertise in fertilizer production, along with inherent manufacturing synergies, to become an emerging manufacturer of alternative fuels, specifically Dimethyl Ether (DME) and Methanol with future plans for Biodiesel production. New Oriental, formerly operating under Luoshan Chemical Fertilizer Factory was privatized by current management from the Chinese Government in 2003. Since its inception, the Company has received multiple government accolades for its core fertilizer products while establishing a recognized brand name in the market. The Company's legacy product, Urea, is a nitrogenous fertilizer utilized to improve yields across a variety of different crops and is generally considered an attractive product for farmers given its superior yield characteristics and price point. DME is quickly becoming an alternative to liquid natural gas in home heating and cooking with the longer term potential of replacing traditional petroleum diesel in cars, trucks and buses, while Methanol is now widely used as a fuel additive and is an inexpensive way to reduce emissions. DME has been found to reduce NOx emissions by 90% and is significantly cheaper as compared to traditional petrol diesel. Currently, the Company is the largest producer of DME in the Henan province with 50,000 available tons of capacity and is currently expanding its facility to accommodate 150,000 tons of annual capacity by September, 2007. New Oriental plans on utilizing the cash flow from its fertilizer business, in addition to incremental DME cash flow contributions to further expand its portfolio of alternative energy products including Biodiesel in late 2008. All sales currently are in China through the Company's network of distribution partners.

Investment Highlights

- In the third quarter of FY2007, ending December 31, 2006, revenues were \$10.9 million, yielding gross profits of \$2.2 million and gross margins of 20.3 percent. Income from operations was \$1.5 million and operating margins were 14.0 percent. Net income was \$1.0 million with EPS of \$0.09. During the third quarter the Company significantly increased sales of alternative fuels which comprised 32 percent of total revenue.
- For the first nine months ending Dec 31, 2006 revenues were \$28.4 million, gross profits were \$4.6 million, net income was \$1.8 million, with EPS of \$0.21.
- In June 2007, New Oriental received a \$2.2 million urea order from distributor Sinofert This order equates to an aggregate of approximately 10,000 tons and the Company anticipates recording this revenue during the first fiscal quarter.
- In May 2007, New Oriental began trading on the NASDAQ, under the symbol NOEC.
- In April, Mr. Ben Wang joined the Company as CFO. Mr. Wang brings experience in public company analysis, modeling and forecasting. Mr. Wang was formerly an analyst at Brean Murray Carret Co.
- As of early April 2007 New Oriental was 70% done with its DME expansion from 50,000 tons of annual production capacity to 150,000 tons. This represents the third stage of the Company's long-range plan to produce 600,000 tons of DME annually by 2010. At the current price point this would create a revenue opportunity of almost \$75 million annually. NOEC is the only domestic manufacturer in the Henan Province to be awarded government licenses to manufacturer up to 600,000 tons of DME.
- Consistent with the Company's expansion management expects alternative fuel revenue would increase 21 percent sequentially during the fiscal fourth quarter to \$4.2 million. Final quarterly and fiscal year results are expected by the end of June 2007.
- In December 2006, the company announced it successfully expanded urea production capacity by 50 percent to 130,000 tons annually.
- New Oriental Energy is strategically located on the shores of the Huaihe River in close proximity to critical shipping lines to both Beijing and Shanghai. DME, Biodiesel and Methanol are safe to transport and easy to disperse.

Alternative Fuel Drivers:

- The use of DME as an alternative energy is supported by the Chinese government with the National Development and Reform Commission commenting "DME is expected to become a major fuel source suitable for China's energy structure" with plans to expand DME on an "accelerated schedule".
- The demand for DME in China greatly exceeds the existing supply. DME and Biodiesel collectively represent only 1% of the total energy consumed creating a large market opportunity.
- DME can reduce harmful emissions by 90% as compared to petroleum, increase performance of diesel engines by 10 to 15% while also reducing external noise.
- China's plentiful access to coal and crops are used as key feedstocks to produce these alternative fuels.
- As a result of pressures from the IMF, as well as the upcoming 2008 Beijing Olympics, the government is highly incentivized to reduce toxic emissions and has recently committed substantial funds to support these efforts.
- Home heating and cooking applications have been the initial target markets for DME as a substitute for LNG (liquid natural gas). New applications such as generators, automobiles and light trucks are currently available to accommodate the use of DME and Biodiesel. The adoption of DME and Biodiesel in these applications would drive a significant increase in consumption.
- Experts predict that the demand for DME will be 7 to 10 million tons within the next five years with additional capacity expansion needed to meet growing demand.

THE HC CHINA INDEX

<u>Client:</u>	<u>Date Hayden Representation Started:</u>	<u>Stock Price Then</u>	<u>Stock Price June 25, 2007</u>	<u>% Change Since Representation</u>
CHME	11/01/2006	\$2.50	\$3.05	22%
NOEC	10/01/2006	\$2.00	\$3.85	93%
CHLN	01/01/2007	\$2.40	\$4.65	94%
CFSG	02/01/2007	\$4.00	\$6.60	65%
HSYT	03/01/2007	\$3.99	\$4.50	13%
GUFR	03/26/2007	\$1.90	\$2.00	5%
CXTI*****	05/01/2006	\$2.01	\$1.00	(50%)
CHBT*****	05/01/2006	\$6.25	\$8.98	44%
FSIN*****	05/01/2006	\$4.65	\$8.20	76%
CSCT****	03/15/2006	\$4.00	\$14.25	256%
AOB***	09/30/2005	\$4.55	\$10.54	131%
COGO***	05/05/2005	\$5.41	\$16.00	196%
IDWK**	03/01/2004	\$4.42	\$6.55	48%
CBAK*	03/01/2005	\$3.50	\$8.95	156%

Average Increase In Client Stock Price Since Hayden Representation: 92%

* CBAK contract Completed June 30, 2006—Performance through end of contractual period

** IDWK was bought out by Flextronics in November 2006.

*** AOB and COGO contracts complete as of Dec. 1, 2006.

**** CSCT contract complete as of March 15, 2007

***** FSIN contract completed as of March 31, 2007

*****CHBT contract completed 5/15/2007

*****CXTI resigned account on September 10, 2007

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