



中國製藥企業投資有限公司

China Pharmaceutical Enterprise and Investment Corporation Limited

(Incorporated in Hong Kong with limited liability)

2002 INTERIM REPORT

INTERIM FINANCIAL REPORT

Unaudited Consolidated Income Statement

For the six months ended June 30, 2002

		For the six months ended June 30,	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	3	705,193	570,627
Cost of sales		(510,690)	(422,524)
Gross profit		194,503	148,103
Other revenue		8,883	8,063
Distribution costs		(12,110)	(12,170)
Administrative expenses		(58,587)	(54,865)
Other operating expenses		(2,070)	(5,765)
Profit from operations	4	130,619	83,366
Finance costs		(12,725)	(13,313)
Impairment of goodwill of an associate		–	(2,032)
Share of profit of a jointly controlled entity		4,081	2,843
Gain on disposal of subsidiaries		–	3,860
Profit before taxation		121,975	74,724
Taxation	5	(19,789)	(13,688)
Profit before minority interests		102,186	61,036
Minority interests		(1,025)	(644)
Profit attributable to shareholders		101,161	60,392
Earnings per share	7		
– Basic		8.12 cents	4.87 cents
– Diluted		8.00 cents	4.82 cents

Condensed Consolidated Balance Sheet

At June 30, 2002

		At June 30, 2002 HK\$'000 (Unaudited)	At December 31, 2001 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	1,211,963	1,172,324
Deposits paid for acquisition of property, plant and equipment	9	28,493	–
Intangible assets	10	80,613	88,524
Investment in a jointly controlled entity		22,666	19,110
Loan receivable		3,040	3,040
		1,346,775	1,282,998
Current assets			
Inventories		198,039	148,931
Trade and other receivables	11	281,278	292,936
Note receivables		130,386	146,031
Loan receivables		7,949	11,527
Trade receivables due from related companies		141,551	146,989
Amount due from a jointly controlled entity		513	533
Tax recoverable		2,557	209
Bank balances and cash		257,151	179,778
		1,019,424	926,934
Current liabilities			
Trade and other payables	12	399,366	355,149
Dividend payable to ultimate holding company	13	22,054	–
Bank loans – due within one year	14	365,602	303,501
		787,022	658,650
Net current assets		232,402	268,284
Total assets less current liabilities		1,579,177	1,551,282
Minority interests		10,159	9,592
Non-current liabilities			
Loan from ultimate holding company		54,218	54,218
Bank loans – due after one year	14	109,375	165,830
		163,593	220,048
		1,405,425	1,321,642
Capital and reserves			
Share capital	15	128,310	124,045
Reserves		1,277,115	1,197,597
		1,405,425	1,321,642

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2002

	Share capital	Share premium	Goodwill reserve	Translation reserve	General reserve	Enterprise expansion reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2001	124,045	836,292	(170,671)	2,883	37,919	26,636	321,306	1,178,410
Impairment of goodwill of an associate	-	-	2,032	-	-	-	-	2,032
Goodwill/reserve realised on disposal of subsidiaries	-	-	1,385	(191)	-	-	-	1,194
Profit attributable to shareholders	-	-	-	-	-	-	60,392	60,392
At June 30, 2001	124,045	836,292	(167,254)	2,692	37,919	26,636	381,698	1,242,028
Share of non-distributable reserves of jointly controlled entities	-	-	-	-	1,753	1,752	(3,505)	-
Transfers, net of minority interests' share	-	-	-	-	11,067	13,809	(24,876)	-
Profit attributable to shareholders	-	-	-	-	-	-	79,614	79,614
At December 31, 2001	124,045	836,292	(167,254)	2,692	50,739	42,197	432,931	1,321,642
Issue of shares upon exercise of share options	4,265	23,084	-	-	-	-	-	27,349
Share issue expenses	-	(71)	-	-	-	-	-	(71)
Transfers, net of minority interests' share	-	-	-	-	21,054	20,480	(41,534)	-
Profit attributable to shareholders	-	-	-	-	-	-	101,161	101,161
Dividend	-	-	-	-	-	-	(44,656)	(44,656)
At June 30, 2002	128,310	859,305	(167,254)	2,692	71,793	62,677	447,902	1,405,425
Reserves attributable to:								
- Company and subsidiaries	128,310	859,305	(160,130)	2,585	70,040	60,925	430,032	1,391,067
- Jointly controlled entity	-	-	(7,124)	107	1,753	1,752	17,870	14,358
	128,310	859,305	(167,254)	2,692	71,793	62,677	447,902	1,405,425

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2002

	For the six months ended June 30,	
	2002	2001
	HK\$'000	HK\$'000
Net cash from operating activities	190,528	87,753
Net cash used in investing activities	(145,621)	(61,284)
Net cash from (used in) financing activities	32,466	(587)
Net increase in cash and cash equivalents	77,373	25,882
Cash and cash equivalents brought forward	179,778	123,300
Cash and cash equivalents carried forward	257,151	149,182

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended June 30, 2002

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants as follows:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these condensed consolidated financial statements. Comparative amounts and disclosures for the prior period have been restated in order to achieve a consistent presentation. However, none of the amendments outlined above has affected the results for the current or prior periods. Accordingly, no prior period adjustment has been required.

3. Segment information

Business segments

The Group reports its primary information by products which are penicillin series, 7-ACA and cephalosporin series, vitamin C series and others. Segment information about these products is presented below:

	Turnover for the six months ended June 30,		Segment results for the six months ended June 30,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Penicillin series	273,713	247,309	60,594	54,450
7-ACA and Cephalosporin series	268,996	155,812	62,307	42,511
Vitamin C series	159,040	160,522	14,322	891
Others	3,444	6,984	(219)	(5,583)
	705,193	570,627	137,004	92,269
Unallocated corporate expenses			(6,385)	(8,903)
Profit from operations			130,619	83,366

Geographical segments

The distribution of the Group's consolidated turnover by geographical market is presented below:

	For the six months ended June 30,	
	2002 HK\$'000	2001 HK\$'000
The People's Republic of China (the "PRC")	543,060	412,033
Asia other than the PRC	54,792	78,630
Europe	52,577	43,975
America	44,546	29,994
Others	10,218	5,995
	705,193	570,627

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is in the line with the overall Group ratio of profit to turnover.

4. Profit from operations

	For the six months ended June 30,	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	5,450	4,027
Amortisation of intangible assets	7,566	7,032
Depreciation of property, plant and equipment	47,359	44,795
Impairment loss on property, plant and equipment	–	1,000
Bank interest income	(480)	(622)
	<u> </u>	<u> </u>

5. Taxation

	For the six months ended June 30,	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
PRC income tax	19,265	13,334
Share of taxation of a jointly controlled entity	524	354
	<u> </u>	<u> </u>
	<u>19,789</u>	<u>13,688</u>

No Hong Kong Profits Tax is payable by the Company or its Hong Kong subsidiaries since they had no assessable profit for the period.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The taxation charge for the period represents provision for PRC income tax for the PRC subsidiaries taking account of these tax incentives.

The jointly controlled entity, which was established in the PRC, is also entitled to similar PRC tax relief as the above subsidiaries.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

6. Dividend

During the current period, a dividend of HK3.6 cents per share (January 1, 2001 to June 30, 2001: Nil) was paid to shareholders as the final dividend for the year ended December 31, 2001.

The directors do not recommend the payment of an interim dividend for the period.

7. Earnings per share

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	For the six months ended June 30,	
	2002	2001
Profit attributable to shareholders	<u>HK\$101,161,000</u>	<u>HK\$60,392,000</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,245,580,163	1,240,447,279
Effect of dilutive potential ordinary shares in respect of share options	<u>19,661,140</u>	<u>13,068,182</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,265,241,303</u>	<u>1,253,515,461</u>

8. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$89,078,000 (December 31, 2001: HK\$277,687,000) on the acquisition of property, plant and equipment.

9. Deposits paid for acquisition of property, plant and equipment

The deposits were paid in connection with the expansion of the Group's production facilities in the PRC.

10. Additions to intangible assets

During the period, the Group spent approximately HK\$5,928,000 (December 31, 2001: HK\$24,891,000) on the acquisition of intangible assets.

11. Trade and other receivables

The Group has defined credit terms which are agreed with each of its trade customers.

The aged analysis of trade receivables is as follows:

	At June 30, 2002 HK\$'000	At December 31, 2001 HK\$'000
0 to 90 days	175,726	163,153
91 to 180 days	17,946	22,656
181 to 365 days	3,374	8,617
	<hr/>	<hr/>
	197,046	194,426
Other receivables	84,232	98,510
	<hr/>	<hr/>
	281,278	292,936
	<hr/> <hr/>	<hr/> <hr/>

12. Trade and other payables

The aged analysis of trade payables is as follows:

	At June 30, 2002 HK\$'000	At December 31, 2001 HK\$'000
0 to 90 days	189,358	188,512
91 to 180 days	46,061	28,032
181 to 365 days	15,612	9,238
More than 365 days	7,610	24,123
	<hr/>	<hr/>
	258,641	249,905
Other payables	140,725	105,244
	<hr/>	<hr/>
	399,366	355,149
	<hr/> <hr/>	<hr/> <hr/>

13. Dividend payable to ultimate holding company

The amount represents dividend payable to Shijiazhuang Pharmaceutical Group Company Limited ("SPG") in respect of final dividend proposed for the year ended December 31, 2001 which was fully paid in July 2002.

14. Bank loans

During the period, the Group obtained new bank loans in the amount of approximately HK\$180,949,000. The loans bear interest at market rates and were used to finance the general operations of the Group.

15. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At January 1, 2001 and December 31, 2001	1,500,000,000	150,000
Increase during the period	1,500,000,000	150,000
	<u>3,000,000,000</u>	<u>300,000</u>
At June 30, 2002		
Issued and fully paid:		
Balance at January 1, 2001 and December 31, 2001	1,240,447,279	124,045
Issue of shares on exercise of share options	42,654,000	4,265
	<u>1,283,101,279</u>	<u>128,310</u>
Balance at June 30, 2002		

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on May 27, 2002, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.1 each in the Company. These ordinary shares rank pari passu with the then existing ordinary shares in all respects.

During the period, the Company issued and allotted an aggregate 42,654,000 new ordinary shares of HK\$0.10 each as a result of the exercise of the share options of the Company.

16. Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	At June 30, 2002 HK\$'000	At December 31, 2001 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>111,806</u>	<u>108,914</u>

17. Pledge of assets

As at December 31, 2001 and June 30, 2002, the Group has pledged all the equity interests of its subsidiary, Weisheng Pharmaceutical (Shijiazhuang) Co., Limited to a bank to secure bank loan granted to the Company.

18. Post balance sheet events

Subsequent to the balance sheet date, the Company issued and allotted 219,111,382 shares at the issue price of HK\$0.93 per share for the acquisition of the entire share capital of Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd. (中諾藥業(石家莊)有限公司), a limited liability company established in the PRC to engage principally in the manufacture and sale of pharmaceutical preparation products.

Details of the transactions relating to the acquisition were set out in a circular issued by the Company to shareholders dated May 10, 2002 and the transactions were approved by shareholders at an extraordinary general meeting held on May 27, 2002.

19. Connected and related party transactions and balances

During the period, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions with these companies during the period, and balances with them at the balance sheet date, are as follows:

Name of company	Nature of transactions/ balances	For the six months ended June 30,	
		2002 HK\$'000	2001 HK\$'000
(I) Connected parties			
SPG and its subsidiaries, other than members of the Group ("SPG Group")	Sale of finished goods (note a)	78,149	92,765
	Purchase of raw materials (note a)	10,274	12,125
	Service charges payable relating to administrative, selling, utility, energy, community, land use rights and other supporting services and facilities (note b)	2,326	2,607
	Interest expenses on loan from ultimate holding company (note d)	1,696	-

Name of company	Nature of transactions/ balances	At	At
		June 30, 2002 HK\$'000	December 31, 2001 HK\$'000
SPG and its subsidiaries, other than members of the Group ("SPG Group")	Guarantee given by the SPG Group (note c)	150,000	150,000
	Balance due from (to) the SPG Group		
	- trade receivable	141,551	146,989
	- long-term loan (note d)	<u>(54,218)</u>	<u>(54,218)</u>

(II) Related parties, other than connected parties

Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong"), a jointly controlled entity of the Group	Balance due from (to) Huarong - non-trade receivable (note e) - trade payable	5,401 <u>(4,888)</u>	5,401 <u>(4,868)</u>
---	---	-------------------------	-------------------------

Notes:

- (a) The transactions were carried out with reference to market prices.
- (b) Pursuant to service agreements entered into by the Group and the SPG Group, the Group paid service charges to the SPG Group based on the nature and the actual amount incurred on services provided by the SPG Group to the Group.
- (c) The SPG Group has given corporate guarantee of HK\$150,000,000 (December 31, 2001: HK\$150,000,000) to a bank to secure a bank loan granted to the Company.
- (d) The SPG Group made a long-term advance to a subsidiary of the Company during the year ended December 31, 2001 which will fall due in May 2006. The loan carries interest at bank borrowing rate as quoted by the People's Bank of China.
- (e) The amount is unsecured, interest-free and repayable on demand.

BUSINESS REVIEW AND PROSPECTS

Results

For the first half of the year, the Group reported turnover of HK\$705,193,000 and profit attributable to shareholders of HK\$101,161,000, representing an increase of 24% and 68% over the same period last year respectively.

In the first half of the year, the production and sales of the three major series of the Group continued to perform well. 7-ACA and cephalosporin series was the largest contributor to the Group's growth in turnover and profit for the period, whereas vitamin C series achieved the greatest success in cost control.

7-ACA and cephalosporin series

The output of 7-ACA for the period increased 43% to 206 tonnes whereas sales of the 7-ACA series increased by 39%. This is the first year since the production capacity of 7-ACA has been expanded to 800 tonnes per annum and there is room for further improvement in the production process. We believe that output will be able to reach the designed capacity by 2003 and the series will become the largest contributor to the Group's sales and profit.

Apart from the 7-ACA series, there were 3 other new cephalosporin products, namely cefoperazone sodium, cefradine and ceftriaxone, put into commercial production during the period. These new products accounted for about 8% and 2% of the Group's turnover and gross profit for the period respectively.

The market of cephalosporin antibiotics in the PRC is in the stage of rapid growth. The Group will seize the opportunity by stepping up the development of various cephalosporin products in order to consolidate our leading position of the series in the market.

Penicillin series

With the supplement of certain facilities to the existing production line, the production capacity of this series was topped up to 4,000 tonnes per annum. The output of penicillin for the period reached 1,800 tonnes, an increase of 34% over the same period last year. The increase in output was mainly of penicillin industrial salt as the demand for it was strong during the period. Sales of the series increased by 11% over the same period last year, representing 39% of the Group's sales.

Vitamin C series

The output of vitamin C reached 6,531 tonnes, an increase of 10% over the same period last year. As the product prices have not yet returned to the level in the first half of last year, the sales of this series was only more or less the same as the same period last year.

Having gone through the fierce competition in the second half of last year, the prices of vitamin C products have gradually regained 10% after hitting the bottom in the second half of last year. The successful introduction of new technology enabled the overall production costs to lower by 20%. With the gradual recovery of product prices, we believe that the series will be able to become a major profit contributor of the Group again.

Product cost and profit margin

The costs of all our products have been lowered by different degrees with vitamin C series being the most prominent. However, the relatively high production cost of the new cephalosporin products in its early stage of production has hindered the growth in the overall gross profit margin. For the period, the gross profit margin of the Group attained 27.6%, an increase of 1.6 percentage point over the same period last year. With the improvement in the production of new products and the overall market situation, we believe that a higher gross profit margin can be attained in the second half of the year.

Acquisition of assets

The Group completed the acquisition of preparation production lines in July 2002. Currently the Group is considering a possible acquisition of a research centre from its parent company with a view to enhancing the Group's strength in developing new drugs and further consolidating the competitiveness of the Group.

Development of butylphthalide

The approval procedure of butylphthalide, a category one new drug in the PRC, has been completed. It is expected that approval for production will be obtained from the State Drug Administration in September this year. This product will be the first patent drug of the Group and is expected to bring significant contribution in the coming years.

Looking forward to the second half of the year:

1. The Group will focus on the operation of the 7-ACA production lines. Efforts will be put to improve the production facilities and production technology with a view to attaining designed capacity as early as possible. The development of cephalosporin products will be stepped up to keep in line with the rapidly growing market of cephalosporin antibiotics.
2. The Group will complete the strategical transformation from a bulk pharmaceutical enterprise to a comprehensive pharmaceutical enterprise encompassing development, production and marketing of both bulk and finished pharmaceutical products. More effort will be put to develop new drugs and broaden the market of finished pharmaceutical products.

3. The next few years will be pivotal to the development of the PRC pharmaceutical industry. With the accession of PRC to the WTO and the enforcement of GMP in the PRC, it is expected that a lot of small to medium pharmaceutical companies will be forced out of the market whereas acquisition and merger between medium and large pharmaceutical companies will rapidly increase. We will monitor the development closely and look for investment opportunities proactively, striving to become the leading player in the PRC pharmaceutical industry.

FINANCIAL REVIEW

At the interim period end date, the Group's total bank borrowings was HK\$475 million, an increase of HK\$6 million as compared to HK\$469 million at the last year end date, and the maturity profile spread over a period of three years with HK\$366 million repayable within 1 year and HK\$109 million within 2 to 3 years.

Gearing ratio was 15.5%, which was calculated on the basis of the Group's net bank borrowings (after deducting cash and bank balances of HK\$257,151,000) over shareholders' funds at the interim period end date.

The majority of the Group's bank borrowings, approximately 68% at the interim period end date, was in Renminbi with the balance in Hong Kong dollars. As the Group derives its revenue mainly in Renminbi, its exposure to foreign exchange rate fluctuations is not significant.

EMPLOYEES

At the interim period end date, the Group has approximately 4,345 employees, the majority of them are employed in the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

DIRECTORS' INTERESTS IN SECURITIES

- (i) As at June 30, 2002, none of the directors or their associates had any personal, family, corporate or other interest in the ordinary shares of the Company as defined in the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").
- (ii) A summary of the movements of share options during the period, insofar as the Company's directors are concerned, is as follows:

Director	Date of grant	Exercisable period	Exercise price	Number of share options outstanding at 1.1.2002 and 6.30.2002
Cai Dong Chen	3.27.2000	9.28.2000 to 9.27.2003	HK\$0.62	10,000,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	5,000,000
Ding Er Gang	3.27.2000	9.28.2000 to 9.27.2003	HK\$0.62	5,000,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	3,000,000
Liu Yi	2.19.2000	8.20.2000 to 8.19.2003	HK\$0.67	1,306,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	3,000,000
Qu Ji Guang	2.19.2000	8.20.2000 to 8.19.2003	HK\$0.67	1,304,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	3,000,000
Wang Xian Jun	3.27.2000	9.28.2000 to 9.27.2003	HK\$0.62	5,000,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	3,000,000
Wei Fu Min	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	4,304,000
Yue Jin	2.19.2000	8.20.2000 to 8.19.2003	HK\$0.67	1,304,000
	8.15.2001	2.16.2002 to 5.26.2004	HK\$0.61	3,000,000

Other than as disclosed above, as at June 30, 2002, none of the directors, the chief executives or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance and none of the directors or their spouses, or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDER

As at June 30, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of shareholder	Number of shares held
Shijiazhuang Pharmaceutical Group Company Limited ("SPG")	651,054,779 (Note)

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at June 30, 2002.

Note: Out of the 651,054,779 shares, 25,000,000 shares are held by Mr. Ding Er Gang, an executive director of the Company, as trustee for SPG, 16,729,762 shares are held by China Charmaine Pharmaceutical Company Limited, a wholly-owned subsidiary of SPG.

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

Pursuant to a term loan agreement, it will be an event of default under the loan agreement if SPG ceases to own more than 40% of the issued share capital of the Company. The outstanding principal of the term loan at June 30, 2002 was HK\$150,000,000 and the last instalment repayment is due on May 21, 2005.

Save as disclosed above, there are no other events which are required to be disclosed by the Company under Practice Note 19 to the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the six months ended June 30, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
CAI DONG CHEN
Chairman

Hong Kong, August 26, 2002