

## REPORT OF THE BOARD OF DIRECTORS

The following discussion and analysis should be read in conjunction with the Group's unaudited financial statements and the accompanying notes. The financial information presented in this section is derived from the Group's unaudited financial report that have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### To All Shareholders

We hereby report the operating results of the Group for the six-month period ended 30 June 2004 ("reporting period"). For the six-month period ended 30 June 2004, the Group's turnover from principal operations amounted to RMB17,778.1 million (HK\$16,752.8 million), an increase of RMB3,639.1 million (HK\$3,429.2 million) or 25.74% as compared to the same period last year. Profit before tax amounted to RMB1,819.8 million (HK\$1,714.9 million), representing an increase of 204.28% as compared to the same period last year. Profit after tax and minority interests amounted to RMB1,520.7 million (HK\$1,433.0 million), an increase of 214.16% as compared to the same period last year.

### Management Discussion and Analysis

During the first half of 2004, the economy of the People's Republic of China ("PRC") maintained relatively rapid growth as a result of an accelerated recovery of the global economy and a favourable macro-economic environment within the PRC. China's GDP for the first quarter grew strongly by 9.8%. In response to excessive investment in certain industries, the government adopted certain macro-economic control measures, which the Company believes largely succeeded in curbing the trend of an over heating economy in the second quarter. China's GDP for the first half of the year increased by 9.7% as compared to the same period last year. The recovery of the global economy as well as the continued favourable macro-economic environment in the PRC laid the basis for the development of the petrochemical industry. Output and demand in the petrochemical industry as a whole grew steadily for the first half of the year, with overall growth in product prices and continued expansion of imports and exports. As a result, economic efficiency also increased significantly.

### Operating Results

During the first half of 2004, the market prices of the four major categories of products of the Group rose and remained at a high level. Compared to the same period last year, the selling prices of the major products of the Group, namely petroleum products, intermediate petrochemical products, resins and plastics, and synthetic fibres, have all increased by a relatively large magnitude. The prices of certain products have already reached the highest levels seen for recent years. However, the price of crude oil, the major raw material of the Group, has remained at a high level since the beginning of the year and continues to show an upward trend. The Company believes that this is attributable to the fact that demand for crude oil around the world so far this year has greatly exceeded original forecasts, as well as to geopolitical instability in Iraq and certain other oil producing countries in regions such as the Middle East and the depreciation of the US dollar. The weighted average cost of crude oil for the Group was RMB 2,131.08 per ton, representing an increase of RMB 249.61 per ton or 13.27% as compared to the same period last year.

Given an overall favourable internal and external operating environment, the Group proactively capitalized on market opportunities and focused on production and operations. Costs and expenditures were tightly controlled. Output exceeded production benchmarks and sales exceeded sales benchmarks. As a result, the Group's efficiency as a whole improved substantially as compared to the same period last year.

During the first half of 2004, the Group processed 4,530,800 tons of crude oil (of which 360,200 tons were processed on a sub-contracted basis), an increase of 407,500 tons or 9.88% as compared to the same period last year, including 79,400 tons of Shengli oil, 4,307,900 tons of imported oil and 143,500 tons of offshore oil. During the first half of the year, the output of ethylene was 481,000 tons, an increase of 4.24% as compared to the same period last year; the output of propylene was 266,200 tons, an increase of 5.75% as compared to the same period last year; the output of plastics and resins was 540,200 tons, an increase of 3.92% as compared to the same period last year; the output of synthetic fibre polymers was 261,400 tons, an increase of 5.23% as compared to the same period last year; and the output of synthetic fibres was 185,100 tons, an increase of 1.82% as compared to the same period last year. In addition to the increase in output, the Group further adjusted its marketing strategies and improved sales and marketing methods to expand sales of its products. The sales to output ratio during the first half of the year reached 100.81%.

The following table sets forth the Group's sales volumes and net sales, net of sales taxes and surcharges, for the periods indicated:

	For the Six-month periods ended 30 June					
	2004			2003		
	Sales volume '000 tons	Net Sales RMB million	% of Total	Sales volume '000 tons	Net Sales RMB million	% of Total
Synthetic fibres	204	2,406	13.80	192	1,897	13.68
Resins and plastics	708	5,413	31.06	672	4,140	29.86
Intermediate petrochemical products	474	2,272	13.04	505	1,940	13.99
Petroleum products	2,328	5,915	33.95	2,183	5,016	36.18
All others	-	1,422	8.15	-	872	6.29
<b>Total</b>	<b>3,714</b>	<b>17,428</b>	<b>100.00</b>	<b>3,552</b>	<b>13,865</b>	<b>100.00</b>

During the first half of 2004, net sales of the Group amounted to RMB17.428 billion, representing an increase of 25.70% as compared to the same period last year. Net sales of petroleum products, intermediate petrochemical products, resins and plastics and synthetic fibres recorded increases of 17.92%, 17.11%, 30.75% and 26.83%, respectively, as compared to the same period last year. The increases were mainly attributable to a considerable increase in the average selling prices of the products as compared to the same period last year. During the six-month period ended 30 June 2004, the average selling prices (excluding tax) for petroleum products, intermediate petrochemical products, resins and plastics and synthetic fibres of the Group increased by 10.58%, 24.77%, 24.10% and 19.37%, respectively, as compared to the first half of 2003.

The majority of the products manufactured by the Group were sold in eastern China.

The Group's cost of sales during the first half of 2004 increased by 17.48% to RMB15.097 billion, representing 86.63% of net sales, as compared to the same period last year.

With increases in the average price of crude oil purchased and volume of crude oil processed by the Group, total costs of crude oil processed during the first half of 2004 increased by 15.22% to RMB8,889.8 million, as compared to the same period last year, and accounted for 58.86% of the cost of sales.

Expenses for other ancillary materials amounted to RMB2,579.6 million during the first half of 2004. This was a considerable increase over the same period last year, primarily attributable to an increase in purchases of intermediate petrochemical raw materials to fulfil production requirements. Depreciation expenses and maintenance costs of the Group amounted to RMB935.1 million and RMB377.0 million, respectively, for the six-month period ended 30 June 2004, representing slight increases as compared to the same period last year. In addition, fuel and power expenses of the Group amounted to RMB357.3 million, which was similar to the amount for the same period last year.

Selling and administrative expenses amounted to RMB228.6 million during the first half of 2004, which was similar to the amount for the first half of 2003.

Other operating expenses amounted to RMB194.2 million for the first half of 2004, an increase of RMB 165.0 million as compared to the same period last year. The increase was mainly due to employee reduction expenses of RMB86.7 million for the first half of 2004 (for the first half of 2003: Nil).

Financing costs during the first half of 2004 decreased by 14.94% to RMB171.5 million as compared to the same period last year, which was mainly attributable to a decrease in total bank borrowings of the Group, and an increase in the proportion of foreign currency borrowings that generally bear a lower interest rate than Renminbi borrowings.

Net profit after tax of the Group for the first half of 2004 amounted to RMB1,520.7 million, representing an increase of 214.16%, as compared to RMB484.1 million for the first half of 2003.

### **Liquidity and Capital Resources**

During the first half of 2004, net cash inflow from the Group's operating activities amounted to RMB1,510.5 million, an increase of RMB224.5 million as compared to the same period last year. As a result of the significant increase in profit before tax, profit before tax and depreciation expenses contributed an operating cash inflow of RMB2,754.8 million to the Group, an increase of RMB1,252.1 million as compared to the same period last year. An increase in inventory at the end of the reporting period contributed to an increase in cash outflow of RMB197.5 million (as compared to an increase in cash outflow of RMB 45.9 million in the same period last year due to an increase in inventory as at the end of that period). A change in the balance of trade creditors, other creditors and bills payable at the end of the reporting period accounted for an increase of cash outflow of RMB46.7 million (as compared to an increase in cash outflow of RMB101.1 million in the same period last year). Increase in the balance of debtors, bill receivables and deposits at the end of the reporting period accounted for a decrease of cash inflow of RMB540.4 million (compared to a cash inflow decrease of RMB22.0 million as a result of the increase in such balances at the end of the same period last year). A change in the balance of receivables from the parent company and fellow subsidiaries of the Company accounted for an increase in cash outflow of RMB263.1 million (compared to a cash outflow decrease of RMB61.4 million as a result of the change in such balances at the end of the same period last year).

## **Borrowings**

The Group's long-term borrowings were mainly used for capital expenditure. The Group arranges its long-term borrowings according to its capital expenditure plan and, in general, there is no seasonality in borrowings. Short-term borrowings were used to satisfy the working capital requirements arising from normal production operations of the Group. The total amount of the Group's borrowings decreased by RMB656.4 million from the beginning of this year to RMB8,125.1 million, including an increase in short-term borrowings of RMB162.6 million and a decrease in long-term borrowings of RMB819.0 million.

As of 30 June 2004, the Group's contingent liabilities amounted to RMB108.5 million in respect of guarantees issued to banks in favour of the Group's associates and other non-listed companies. In addition, the Company's guarantees issued to the Company's consolidated subsidiaries amounted to RMB1,223.3 million. Guarantees issued to banks in favour of associates, other non-listed companies and consolidated subsidiaries are given to the extent of the Group's and Company's respective equity interest in these entities.

## **Exchange Rate Fluctuations**

The Group imports its major raw materials (crude oil) mainly through Sinopec Corp. and also exports a portion of its petroleum products through China Petroleum & Chemical Corporation. Therefore, any fluctuations in exchange rates will indirectly affect the prices of raw materials and the Group's petroleum products, which in turn impact the profitability of the Group. In addition, as part of the debts of the Group is denominated in foreign currencies, fluctuations in the relevant exchange rates will affect the financing expenses and consequently the profitability of the Group.

## **Capital Expenditure**

During the first half of 2004, the Group's capital expenditure amounted to RMB818.9 million, which comprised primarily the polyester 1# resin technical upgrade project and the 1# atmosphere and vacuum distillation facility upgrade project. In addition, in the second half of the year, the Group plans to undertake a 12,000-ton per year industrial polyester filament plant expansion project, an expansion project for the PTA facility to 400,000 tons per year, a new pipeline project for the mutual supply of materials between the Company and Shanghai Secco Petrochemical Company Limited, a new 380,000-ton per year ethylene glycol project and other technical upgrade and investment projects. The Group's planned capital expenditures can be financed by cash inflow from operating activities and available bank loans.

During the reporting period, the Group continued to participate in the activities of Shanghai Secco Petrochemical Company Limited, a joint venture with China Petroleum & Chemical Corporation and BP Chemicals East China Investments Limited. As at 30 June 2004, the Group had invested RMB919.1 million to such joint venture.

## **Debt-equity Ratio**

The debt-equity ratio of the Group was 33.73% as at 30 June 2004 (30 June 2003: 37.50%). The ratio is computed by total borrowings divided by the sum of total borrowings and shareholders' equity.

## **Employees**

As at 30 June 2004, the number of employees of the Company was approximately 29,805.

The staff costs of the Group for the reporting period were RMB542.0 million.

## **Disclosure required by the Listing Rules**

In compliance with Paragraph 40 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company confirms that, save as disclosed herein, there has been no material change in the current information regarding the Company in relation to those matters set out in Paragraph 32 of Appendix 16 to the Listing Rules from the information in relation to those matters disclosed in the Annual Report 2003 of the Company.

## **Market Outlook and Business Plan for the Second Half of the Year**

For the second half of 2004, it is expected that growth in the global and the PRC economies will remain steady and the petrochemical industry as a whole will maintain a strong development trend. Crude oil prices in the international market are expected to remain at high levels as a result of the recovery of the global economy, continued increase in demand, as well as the geopolitical instability in oil producing countries such as those in Middle East. Such high crude oil prices in turn will provide continued support for the prices of petrochemical products. As a result of high crude oil prices and a booming petrochemical cycle, the petrochemical industry should maintain its strong development trend and corporate operating results should remain strong. In view of the above, the Group will place emphasis on the implementation of following areas in the second half of 2004:

- (I) To focus on long-term operational stability of production equipment, continue to implement production optimization and cost reduction, and to devote efforts to expanding output so as to fulfill the market demand.
- (II) To capitalize on market opportunities, timely adjust sales and marketing strategies and effectively control operational risks.
- (III) To accelerate technological advancement and work on the next round of development and to continue with internal reforms such as staff redirection and reduction, so as to enhance the competitiveness of the Group.
- (IV) To use its best endeavours in the establishment of the ERP project, strictly implement corporate internal control measures and to further the Group's management standardization.

## Summary of segmental results (prepared under PRC Accounting Rules & Regulations)

	Income from principal operations (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Increase/ decrease of income from principal operations compared to the same period last year (%)	Increase/ decrease of cost of sales compared to the same period last year (%)	Increase/ decrease of gross profit margin compared to the same period last year (%)
By segment						
Synthetic fibres	2,417,891	2,193,799	9.27	26.93	17.09	7.62
Resins and plastics	5,442,159	4,342,349	20.21	30.87	16.26	10.02
Intermediate petrochemicals	2,290,996	1,582,029	30.95	17.48	9.61	4.96
Petroleum products	6,201,821	5,174,371	16.57	18.34	12.79	4.11
All others	1,425,270	1,286,869	9.71	61.03	70.51	-5.02
Including:						
Connected transactions	7,103,407	5,894,109	17.02	45.80	30.78	9.52

Price-setting principles of connected transactions The Board of Directors of the Company believes that the above connected transactions were entered into in the normal course of business and were conducted on normal commercial terms or in accordance with the terms of the relevant agreements. The above transactions were confirmed by the Company's independent non-executive Directors.

During the reporting period, the Group made sales to the controlling shareholder and its subsidiaries totalling RMB7,103,407,000.

### Analysis of the geographical segments for the principal operations

Region	Income from principal operations (RMB'000)	Increase/ decrease in income from principal operations compared to the same period of last year (%)
Eastern China	16,554,583	33.48
Other regions in China	1,201,413	37.77
Exports	22,141	-97.44

During the reporting period, there was no significant change to the geographical segments for the principal operations of the Group as compared to the same period in 2003.

### Warning on any possibility of the accumulated net profit forecast for the period from the beginning of the year to the end of the next reporting period turning into a loss or any material change in relation to such forecast as compared to the same period last year and the reasons thereof

In accordance with developments in the Group's business, it is expected that the results of operations of the Company between January and September of 2004 will increase significantly compared to the same period last year.

## Share Capital and Major Shareholders

### 1. Change of Share Capital

During the reporting period, there was no change to the Company's share capital structure.

### 2. Number of shareholders at the end of the reporting period

At 30 June 2004, the share capital of the Company totalled 7.2 billion shares, which were held by 149,339 shareholders, with 145,586 of them being holders of A shares and 3,753 of them being holders of H shares.

### 3. Shareholding of major shareholders

Top Ten Shareholders as at the end of the reporting period as follows:

Name of shareholders (full name)	Increase / decrease during the period	Number of shares held at end of the period	Percentage of total share capital (%)	Type of shares (circulating/ non-circulating)	Number of shares pledged or frozen	Type of shareholders (domestic shareholders or foreign shareholders)
China Petroleum & Chemical Corporation	-	4,000,000,000	55.56	Non-circulating	Nil	State-owned Person Shareholder
HKSCC Nominees Ltd.	21,560,000	1,914,577,857	26.59	Circulating	Nil	Foreign Shareholder
Hongkong & Shanghai Banking Corporation (Nominees) Limited	284,000	355,584,000	4.94	Circulating	Nil	Foreign Shareholder
Bank of China - Haifutong Income Growth Securities Investment Fund	Not available	21,373,613	0.30	Circulating	Nil	Legal Person Shareholder
Commercial Bank of China - Guolian Andesheng Small Cap Selected Securities Investment Fund	Not available	20,655,535	0.29	Circulating	Nil	Legal Person Shareholder
Xinghua Securities Investment Fund	Not available	18,993,254	0.26	Circulating	Nil	Legal Person Shareholder
Commercial Bank of China - Tianyuan Securities Investment Fund	3,167,570	17,084,772	0.24	Circulating	Nil	Legal Person Shareholder
Shanghai Kangli Gong Mao Company	-	16,730,000	0.23	Non-circulating	16,430,000	Legal Person Shareholder
Jingfu Securities Investment Fund	-9,864,829	16,403,726	0.23	Circulating	Nil	Legal Person Shareholder
Haitong Securities Company Limited	Not available	14,010,000	0.19	Circulating	Nil	Legal Person Shareholder

Top Ten Shareholders in Circulation as at the end of the reporting period as follows:

Name of shareholders (full name)	Number of shares in circulation as at 30 June 2004	Type (A, B, H shares or others)
HKSCC Nominees Ltd.	1,914,577,857	H
Hongkong & Shanghai Banking Corporation(Nominees) Limited	355,584,000	H
Bank of China - Haifutong Income Growth Securities Investment Fund	21,373,613	A
Commercial Bank of China - Guolian Andesheng Small Cap Selected Securities Investment Fund	20,655,535	A
Xinghua Securities Investment Fund	18,993,254	A
Commercial Bank of China - Tianyuan Securities Investment Fund	17,084,772	A
Jingfu Securities Investment Fund	16,403,726	A
Haitong Securities Company Limited	14,010,000	A
Bank of Communications - Yifangda 50 Index Securities Investment Fund	12,679,650	A
Commercial Bank of China - Shenwan Paris Shengli Selected Securities Investment Fund	12,460,733	A

Description of any connected relationship or concert party relationship among the top ten shareholders

Among the top ten shareholders of the Company, China Petroleum & Chemical Corporation, the state-owned shareholder, does not have any connected relationship with the other shareholders, and is not a connected party of the other shareholders under the "Administration Measures for Disclosure of Shareholdings in Listed Companies". Of the above mentioned shareholders, Hongkong & Shanghai Banking Corporation (Nominees) Limited is a nominee company. The Company is not aware of whether or not there are connected relationships among the other shareholders, and whether or not they are acting in concert under the "Administration Measures for Disclosure of Shareholdings in Listed Companies".

During the reporting period, there has been no change in the controlling shareholder and the de facto controller of the Company and shares held by legal person shareholders holding 5% or more of the Company's shares, have not been pledged or frozen.

## Directors', Supervisors' and Senior Management's Interests in Shares and Substantial Shareholders

### 1. Directors, Supervisors and Senior Management and their interests in shares

As at 30 June 2004, the interests held by Directors, Supervisors and senior management in the Company were as follows (Unit: Share):

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the year	Reasons for change
Lu Yiping	Chairman	3,600	3,600	No change
Rong Guangdao	Vice Chairman and President	3,600	3,600	No change
Du Chongjun	Vice Chairman	1,000	1,000	No change
Han Zhihao	Director and Chief Financial Officer	Nil	Nil	No change
Wu Haijun	Director and Vice President	1,500	1,500	No change
Gao Jinping	Director	Nil	Nil	No change
Liu Wenlong	External Director	Nil	Nil	No change
Zhang Baojian	External Director	Nil	Nil	No change
Gu Chuanxun	Independent Director	Nil	Nil	No change
Wang Yongshou	Independent Director	3,600	3,600	No change
Wang Xingyu	Independent Director	Nil	Nil	No change
Chen Xinyuan	Independent Director	Nil	Nil	No change
Dai Shuming	Chairman of Supervisory Committee	Nil	Nil	No change
Zhang Chenghua	Supervisor	Nil	Nil	No change
Zhu Weiyan	Supervisor	Nil	Nil	No change
Zhang Jianjun	External Supervisor	Nil	Nil	No change
Lu Xiangyang	External Supervisor	Nil	Nil	No change
Zhou Yunnong	Independent Supervisor	Nil	Nil	No change
Liu Xiangdong	Independent Supervisor	Nil	Nil	No change
Zhang Zhiliang	Vice President	3,600	3,600	No change
Yin Jihai	Vice President	Nil	Nil	No change
Shi Wei	Vice President	Nil	Nil	No change
Zhang Jianping	Vice President	Nil	Nil	No change
Tang Chengjian	Vice President	Nil	Nil	No change
Zhang Jingming	Company Secretary	Nil	Nil	No change

The shares held by the above people are A shares and represented their personal interests in their capacity as beneficial owners.

### 2. Interests and Short Positions of Directors and Supervisors in Shares, underlying Shares and Debentures

Other than as set out above, as at 30 June 2004, none of the Directors or Supervisors had any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2004, none of the Directors or Supervisors and their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

### 3. Interests and short positions of substantial shareholders and other persons in shares and underlying shares

As at 30 June 2004, the interests and short positions of substantial shareholders (being persons who are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company) and other persons who are required to disclose their interests pursuant to Part XV of the SFO (other than Directors and Supervisors) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as set out below:

#### (1) (a) Interests in ordinary shares of the Company

Name of shareholder	Number and type of shares held	% of issued share capital	% of shareholding in the Company's total issued H share	Capacity
China Petroleum & Chemical Corporation	4,000,000,000 promoter legal person shares	55.56%	-	Beneficial owner
J.P.Morgan Chase & Co.*	332,837,700 H shares	4.62%	14.28%	Beneficial owner; investment manager; other (lending pool)

\* Such H-shares were held through a nominee.

#### (b) Interests in underlying shares of the Company

No interests of substantial shareholders or other persons who are required to disclose their interests pursuant to Part XV of the SFO in the underlying shares of equity derivatives of the Company were recorded in the register required to be kept under Section 336 of the SFO.

#### (2) Short positions in shares and underlying shares of the Company

No short positions of substantial shareholders or other persons who are required to disclose their interests pursuant to Part XV of the SFO in the shares or underlying shares of equity derivatives of the Company were recorded in the register required to be kept under Section 336 of the SFO.

Save as stated above, as at 30 June 2004, no interests or short positions of any person in the shares or underlying shares of equity derivatives of the Company were recorded in the register required to be kept under Section 336 of the SFO.

## **Audit Committee**

The audit committee and the management of the Company have reviewed the accounting principles, accounting standards and discussed matters relating to auditing, internal supervising and financial reporting, including the unaudited interim report for the six-month period ended 30 June 2004.

## **Change of Directors, Supervisors and senior Management**

The Company convened the 2003 Annual General Meeting on 18 June 2004 and approved the resignation of Mr. Xu Kaicheng, Mr. Feng Jianping, Mr. Jiang Baoxing and Mr. Li Weichang as Directors of the fourth session of the Board of Directors, Mr. Du Chongjun as Supervisor of the fourth session of the Supervisory Committee. It was also approved at the Annual General Meeting that Mr. Du Chongjun, Mr. Han Zhihao, Mr. Wu Haijun and Mr. Gao Jinping be elected as Directors of the fourth session of the Board of Directors of the Company, Mr. Dai Shuming as Supervisor of the fourth session of the Supervisory Committee of the Company.

Mr. Rong Guangdao and Mr. Du Chongjun were elected as Vice Chairman of the Company at the fourteenth meeting of the fourth session of the Board of Directors on 18 June 2004.

Mr. Dai Shuming was elected as the Chairman of the Supervisory Committee at the tenth meeting of the fourth session of the Supervisory Committee on 18 June 2004.

On 2 July 2004, Mr. Zhang Jianping and Mr. Tang Chengjian were appointed as Vice President of the Company at the fifteenth meeting of the fourth session of the Board of Directors of the Company.

## **Compliance with Code of Best Practice**

Non-executive directors are subject to retirement by rotation at Annual General Meetings in accordance with the articles of association, and are not appointed for specific terms. Other than this, none of the Directors is aware of any information that would reasonably indicate that the Company does not, or during the period, did not comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **Model Code**

The Company has adopted a code of conduct regarding directors' securities transactions in terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of the Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the reporting period.

## **Purchase, Sale or Redemption of Securities**

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