DA XING

長春達興藥業股份有限公司

Changchun Da Xing Pharmaceutical Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

Third Quarterly Report 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website (www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors ("the Directors") of Changchun Da Xing Pharmaceutical Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Changchun Da Xing Pharmaceutical Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

PROFIT AND LOSS ACCOUNT (UNAUDITED)

The Board of Directors (the "Board") of Changchun Da Xing Pharmaceutical Company Limited (the "Company") is pleased to announce the unaudited results of the Company for the nine months and three months ended 30th September, 2002 together with comparative unaudited figures for the corresponding periods in 2001 as follows:

		Nine months ended 30th September,		Three months ended 30th September,	
		2002	**2001**	**2002**	**2001**
	Notes	*RMB('000)*	*RMB('000)*	*RMB('000)*	*RMB('000)*
Turnover	*2*	55,176	49,048	16,682	19,596
Cost of Sales		(12,947)	(15,184)	(4,158)	(6,123)
Gross Profit		42,229	33,864	12,524	13,473
Other revenue		2,092	449	253	520
Distribution and selling expenses		(7,876)	(4,008)	(3,140)	(2,053)
Administrative expenses		(4,856)	(9,623)	(1,548)	(3,841)
Profit from operations		31,589	20,682	8,089	8,099
Finance costs		(319)	(905)	(96)	(366)
Profit before taxation		31,270	19,777	7,993	7,733
Taxation	*3*	(4,395)	(3,917)	(1,193)	(1,600)
		26,875	15,860	6,800	6,133
Earnings per share	*4*				
– Basic		5.9 cents	4.0 cents	1.2 cents	1.5 cents

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

The Company was incorporated as a joint stock limited company in the People's Republic of China (the "PRC") on 27th December, 1993, and its H shares were listed on GEM on 28th June, 2002. Details of these are set out in the prospectus of the Company issued on 21st June, 2002. Also on 19th July, 2002, the over-allotment option was exercised and the Company accordingly allotted and issued 21,000,000 new H shares ("the Over-allotment Shares") at the placing price of HK$0.45 per H share. The Over-allotment Shares represented approximately 3.7% of all the Company's share capital in issue immediately after the allotment of the Over-allotment Shares. The Over-allotment Shares were issued and listed on GEM on 23rd July, 2002.

The Company has been principally engaged in the manufacture and sale of Chinese medicines and western medicines in the PRC since its incorporation. It is also engaged in the research and development of Chinese medicines, western medicines and biochemical medicines.

The principal accounting policies adopted in preparing the unaudited results are the same as the accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

Turnover comprises the invoiced value of merchandise sold net of value added tax and after allowances for returns and discounts.

The Company's turnover and operating profit are entirely derived from the PRC on the sales of pharmaceutical products. Accordingly, no analysis by business or geographical segment is provided.

3. Taxation

PRC income tax is computed according to the relevant laws and regulations in the PRC. Since the year ended 31st December, 2000, the Company has been qualified as a High and New Technology Enterprise as defined by the Changchun City Science and Technology Committee and its applicable tax rate has been accordingly reduced from 33% to 15%.

4. Earnings per share

The calculation of the basic earnings per share for the three months ended 30th September, 2002 is based on the unaudited net profit attributable to shareholders for the period of RMB6,800,000 (2001: RMB6,133,000) and on the weighted average number of shares of approximately 556,891,304 shares (2001: 400,000,000 shares) in issue during the period.

The calculation of the basic earnings per share for the nine months ended 30th September, 2002 is based on the unaudited net profit attributable to shareholders for the period of RMB26,875,000 (2001: RMB15,860,000) and on the weighted average number of shares of 454,410,256 shares (2001: 400,000,000 shares) in issue during the period.

No diluted earnings per share is calculated for the three months and nine months ended 30th September, 2002 as there were no dilutive events during such periods.

5. Reserves

	Retained profits *RMB('000)*	Share premium *RMB('000)*	PRC statutory funds Statutory surplus reserve *RMB('000)*	PRC statutory funds Staff public welfare fund *RMB('000)*	Total *RMB('000)*
As at 1st January, 2001	12,094	7,668	3,630	1,804	25,196
Profit for the period	15,860	–	–	–	15,860
Transfer to statutory funds	(3,665)	–	2,443	1,222	–
As at 30th September, 2001	24,289	7,668	6,073	3,026	41,056
As at 1st January, 2002	32,192	7,668	6,439	3,209	49,508
Profit for the period	26,875	–	–	–	26,875
Increase in share premium from issue of new H shares on 28th June, 2002	–	52,780	–	–	52,780
Increase in share premium from issue of Over-allotment Shares on 23rd July, 2002	–	7,901	–	–	7,901
Share issue costs	–	(14,452)	–	–	(14,452)
Transfer to statutory funds	(4,031)	–	2,668	1,343	–
As at 30th September, 2002	55,036	53,897	9,127	4,552	122,612

6. Dividend

The Board of Directors of the Company does not recommend the payment of any interim dividend in respect of the nine months ended 30th September, 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Operating Results

Since its listing on the GEM in Hong Kong on 28th June, 2002, with encouragement and advice from friends in Hong Kong, unreserved support from all shareholders and collaboration of all staff, Changchun Da Xing Pharmaceutical Company Limited has operated up to standard, and its economic benefits have been on gradual rise. For the nine months ended 30th September, 2002, sales revenue reached RMB55,176,000, and net profit attributable to shareholders amounted to RMB26,875,000, representing an increase of 12.5% and 69.5% respectively over the corresponding period in last year. Jing Tong Ling (頸痛靈) recorded sales of 1,962,000 bottles and sales revenue of RMB44,920,000, representing an increase of 15.6% over the corresponding period in last year.

BUSINESS REVIEW

Market orientation for growth in business

"To explore the Western China market, increase our reach to a substantial width and depth of market, and constantly boost market coverage and market share on the foundation of consolidating our foothold in developed coastal regions in 2002" – This is a major principle of the Company's market operation in 2002.

1. Focus on exploration of the Western China market – The western region is a large and populous territory with enormous market potential. The Western Development by the PRC government has fostered speedy development of various industries, of which pharmaceutical market has grown remarkably. To grasp the opportunities, the Company adopted the development strategy of focusing on its famous products such as Jing Tong Ling (頸痛靈), Fu Jie Shu (复皆舒) and Xiedali (協達利). The Company considered distributors as an important sales channel to distribute our OTC medicines. Manufacturers and distributors shared risks and benefits. The Company has also adopted multimedia advertising and brand building activities to boost sales, and good results were registered. Points of sale in Chongqing City increased more than 300 over the corresponding period in last year whereas turnover doubled. Moreover, Sichuan, Xinjiang and Yunnan all recorded excellent results.

2. "Market is a neverending topic of interest for enterprises" – This serves as a major direction of the Company's market operation. In 2002, the Company selectively developed the Western China market, and intensified the development of existing

markets. Moreover, the Company further developed the coastal markets, and adopted various effective measures to raise the brand awareness of Chunyan (春燕):

a) to maintain Chunyan (春燕) brand's image through news media, consultation service and business cooperation;

b) to foster its relationship with distributors through union functions and product promotion seminars;

c) to further raise the brand awareness of the enterprise and products and to expand market share by disseminating product promotional materials and organizing activities such as free gift offers.

To explore new growth point in existing market by pro-actively organizing market exploration activities.

3. The initiative in developing international market. The PRC's entry into World Trade Organization offered the Company a huge market. On 27th June, 2002, the Company sent delegations to Indonesia, Russia and Ukrania to participate in bilateral trade conferences, through which the Company familiarized with rules of international trade, examined and had a better understanding of development trends in international market. As such, in its future development, the Company will be able to better and quickly accustomed to international practices, and thus set the path to international market. Jing Tong Ling (頸痛靈) under Chunyan (春燕) brand will soon be exported to Vietnam.

Raise overall staff qualities

To meet the needs for development, since 2002, the Company had offered quality training to all staff, in order to nurture an energetic and ambitious team, that includes:

1. business training to salespersons;

2. skill training to medicine manufacturing staff;

3. functional training to administrative and management staff.

Owing to the efforts in further market development in the period under review as mentioned above, sales and distribution expenses sharply increased to approximately RMB7,876,000 in the nine months ended 30th September, 2002 from approximately RMB4,008,000 in the nine months in the corresponding period in last year. Besides, in the nine months under review, the management had not discovered any significant bad and

doubtful debts and inventories, and therefore believes that the current provision for bad and doubtful debts and inventories is sufficient. As a result, administrative expenses in the nine months under review decreased considerably from those in the corresponding period in last year.

With persisting efforts and new measures adopted by the Company's debt collection team, the Company was able to recover in the nine months under review doubtful debts of approximately RMB1,736,000 provided for in the previous year, and the amount was included in the Company's other revenue.

PROSPECTS

"An enterprise focuses on product for input, and products bring forth market output" is one of the major principles of the Company. By adhering to this principle, the Company has since its establishment maintained rapid development, and enjoyed a course of self enrichment and self development.

At present, through constant development and efforts in the past few years, the six State Class new medicines have entered mature period, and new products will be launched to the market in the coming three to five years.

PROJECTS UNDER RESEARCH

1. Urinary trypsin inhibitor (注射用尿胰蛋白酶抑制劑)

A State Class 2 New Medicine, applicable to acute pancreatitis, acute deterioration stage of chronic compound pancreatitis and acute circulatory disturbance, is under clinical research with satisfactory clinical therapeutic effectiveness and no adverse effect, and is nearly completed.

2. Umbro-dinase enzyme injection (注射用蚓激酶)

A State Class 3 New Medicine, applicable to acute myocardial infarction and acute stage of cerebral infarction, is under application for clinical research on schedule. As the reporting materials passed the review and approval of National Pharmaceutical Approval Centre, clinical research will soon commence.

3. Lijie tablets (歷節片)

A State Class 3 New Chinese Medicine, applicable to rheumatoid arthritis, is under preparation for pre-clinical research.

4. Yushi cardiopulmonary tablets (魚石肺心顆粒)

A State Class 3 New Chinese Medicine, applicable to clear away the heat and eliminate the phlegm, relieve cough and asthma, and cure chronic lung-derivative heart disease at acute stage. With its clinical research coming to an end, Yushi cardiopulmonary tablets (魚石肺心顆粒) has applied to National Pharmaceutical Approval Centre for approval for the Certificate of New Medicine.

5. Metronidazole injection (單硝酸異山梨酯注射液)

A State Class 4 New Medicine, which will receive the Certificate of New Medicine and Letter of Approval for Production.

6. Clindamycin phosphate injection (克林霉素磷酯醋注射液)

A State Class 4 New Medicine, which will receive the Certificate of New Medicine and Letter of Approval for Production.

NEW PROJECTS

According to development trends in pharmaceutical market and in consolidation with existing product structure and product technologies of the Company, in July, 2002, the Company focused on research of 4 State Class New Medicines such as Xueshuantong Zhusheye (血栓通注射液). Present research has been completed, and officially classified as a new development project in the second half of 2002.

1. Xueshuantong Luhuana Zhusheye (血栓通氯化鈉注射液), Xuesaitong Luhuana Zhusheye (血塞通氯化鈉注射液)

A State Class 4 New Chinese Medicine. Incidence of cardiovascular diseases in the PRC has recently been on constant rise. Western medicine, such as Class 2 heart tonifyer should be restricted in application due to its relatively strong adverse effects in spite of its distinct therapeutic effectiveness. Meanwhile, Chinese injection medicine for cardiovascular diseases are widely applied in clinical cases owing to its unique therapeutic mechanism and distinct therapeutic effectiveness.

Xueshuantong Luhuana Zhusheye (血栓通氯化鈉注射液) and Xuesaitong Luhuana Zhusheye (血塞通氯化鈉注射液) have wide clinical applications. Both medicines have functions of expanding blood vessels, inhibiting platelet aggregation, thrombus and free radicals, inducing the production of organizational cellulase original activated material (纖維酶原激活物質) and protecting against cerebral ischemia and myocardial ischemia to different extent. To serve for convenience of medical practitioners and to guarantee safe and effective clinical drug application, these products were specially produced, and have been under application for clinical research.

2. Matrine and Glucose Injection (苦參碱葡萄糖注射液), Matrine and Sodium Chloride Injection (苦參碱氯化鈉注射液)

State Class 4 New Chinese Chinese Medicines. Matrine (苦參碱) has essential values in pharmacological avidity and clinical application against central nervous system diseases and with anti-virus, anti-inflammatory, immunity and anti-tumour functions. Matrine has especially continuous inhibitory effects against hepatitus A and B viruses. With its inhibitory effects against reproduction of HbeAg of hepatitus B, Matrine has certain anti-hepatitus B virus effects. As neither revival symptoms of serum DHBV-DNA nor pathological change in liver toxicity of hepatitis A pathology arises after stopping dosage, Matrine possesses direct effects against pathological hepatitus and of bettering physical signs, clearing away yellowness and inhibiting enzyme. Matrine injection applies to reviving abnormal levels of Serum Glutamate Pyrueate Transferase (谷丙轉氨酶) and bilirubin (膽紅素) for chronic avidity hepatitus and mobility hepatitus patients. Being liver protective and liver tonic, matrine injection can clear away heatiness and dampness, induce urination, deprive yellowness and toxic elements, improve pathological hepatitus symptoms and physical signs as well as inhibit reproduction of HbeAg of hepatitis B. Most of the injections can be directly injected, reducing two risks of cross contamination, and are convenient for clinical use. In the PRC, hepatitus patients amount to approximately 120 million. With such huge number of patients, the medicines have enormous market and good prospects.

The two new medicines are under application of approval document for production and letter of approval from the State Drugs Administration of the PRC.

Development of the above medicines have not only fully capitalized the Company's capability in high technology production with infusion (大輸液) production lines that passed GMP certification, but also brought good social and economic benefits. Especially as these medicines have completed early stage development, and have been or will be under application for approval document of clinical research, Certificate of New Medicine and letter of approval for production from National Pharmaceutical Approval Centre, the medicines need relatively less investment, short cycle and will have quick effectiveness.

PROPOSED PROJECTS

1. Raw Materials and Pharmaceutical Injection of Astragaloside (黃芪皂苷)

A State Class 2 Chinese Medicine, which is proposed to be developed into high capacity injection in specification of 12mg/100ml, and applicable to cardial functional insufficiency.

Astralglus Root Injection is widely applied in clinical use of cardial functional insufficiency, coronary heart disease, virus myocarditis, acute and chronic heart failure and chronic hepatitis, etc, therefore it has a huge market. However, as Astralglus Root Injection mainly composes of pure medicinal materials and is produced with low level of technology with traditional equipment, leading to considerable amounts of impurities in the medicine, thus leading to unguaranteed quality, many adverse effects and inconveniences on clinical use and two chances of contamination. All these can pose serious threat to safety of the medicine users. Hence, Astralglus Root Injection (High Volume), that attributes in safety, effectiveness and convenience for use, is highly in need for clinical application.

Astragaloside is the effective component of Astralglus Root Injection, and is used as a raw material to formulate injection due to its physical and chemical stability, thus maintaining medicinal effectiveness, ensuring a stable quality of raw material and the medicine, and meeting "Technological Requirement for Research on Chinese Medicinal Injection" and "Technological Requirement for Finger Printing of Chinese Medicinal Injection". Pharmacological research has proven that: extracted and processed astragaloside has distinct avidity effects on various test animals having cardial functional insufficiency. Toxicological research has proven its safety, therefore the Company has confirmed extracting astragaloside, the effective part of Astraglus Root（黄芪）as raw material. The Company sets astragaloside as the research target of high volume injection and replacing Astralglus Root Injection (small volume) as our market target.

Currently, there has been no reports on the conditions of domestic and overseas research or production yet.

2. Hydrochloric Azasetron Sodium Chloride Injection (鹽酸阿扎司琼氯化鈉注射液)

Hydrochloric Azasetron Sodium Chloride Injection (鹽酸阿扎司琼氯化鈉肴射液) is classified as Chemical Medicine Class 4, applicable to vomitting caused by cell toxicant medicines.

Scientific and technological development is accompanied by side effects such as environmental pollution that threatens human health and brings about more and more malignancy patients. Nausea and vomitting triggered by anticarcinogen are an ordeal to patients. Research on receptor affinity has proven that the affinity of Hydrochloric Azasetron (鹽酸阿扎司琼) is approximately 410 times stronger than that of methoxy (甲氧氯普胺), 2 times stronger than Ondansetron's (恩丹西酮) and the same as Granistron's (格拉司琼). Animal tests have proven that 0.1 mg/kg of veinal injection of Hydrochloric Azasetron (鹽酸阿扎司琼) can strongly inhibit hare

vomitting triggered by cis-DDP, 1 (順鉑) whereas a dose of 0.3 mg/kg can fully suppress ferret vomitting caused by adriacin and cyclophosphamide. Clinical research findings have proven that 10 mg of veinal injection of Hydrochloric Azasetron (鹽酸阿扎司瓊) can effectively inhibit nausea and vomitting brought by anticarcinogens such as cis-DDP, 1.

3. Salricine (沙爾威辛)

Salricine is an Anti-tumour Class 1 New Medicine developed earlier by Shanghai Institute of Materia Medica under Chinese Academy of Sciences, which is currently seeking co-development with the Company.

Salricine is a newly structured product derived from structurally modified natural materials, and is National Project 1035 which a major research project on new medicine of Chinese Academy of Sciences. Salricine is manufactured using western integration method with medicinal herbs. Internal and external pharmacological tests on animals have proven its distinct anti-tumour effectiveness, as well as excellent and long lasting effectiveness against spreading of cancerous cells as compared to certain anti-tumour medicines. As the ingredients of Salricine is easy to source and its production technology is mature, Salricine is suitable for industrial mass production. Clinical research on the project has been completed and the project has been approved by National Pharmaceutical Approval Centre of the State Drugs Administration of the PRC.

4. Xiaokeyin (消渴欣)

Xiaokeyin is a State Class 2 New Medicine which is a pure Chinese medicine used for lowering blood sugar level. It is produced with effective elements extracted, transformed and separated from individual herbal medicinal materials. Attributed to be highly effective with low toxicity and small orally taken dosages, Xiaokeyin has been proven by clinical tests to be the most effective Chinese medicine for lowering blood sugar level. At present, 80% of the clinical research on Xiaokeyin has been completed. In addition, tests on production technique, effectiveness and acute toxicology will soon be completed.

MODERNIZED MANAGEMENT AS FOUNDATION TO ENSURE GROWTH IN THE COMPANY'S EFFECTIVENESS

It is the Company's ever-striving pursuits to consistently improve and perfect the Company's modernized management system, and to establish a scientific and modernized foundation for the management which is able to cope with the Company's rapid development.

Full implementation of GMP

To ensure that the Company's entire production lines, other than infusion, will meet the GMP standard before the end of June, 2004, the Company has acquired a property of 30,000 m^2 in the Changchun Hi-Tech Industrial Development Zone, and is establishing a modernized biochemical medicine production line, Jing Tong Ling (頸痛靈) production line and solid medicine production line on a site of 22,000 m^2, which complies with the GMP standard. Through the implementation of the project, the Company will gain the following benefits:

1. The Company enjoys the concessions offered by the State to Sino-foreign joint ventures in hi-tech industrial development zones, such as import and export autonomy, tax exemption in the first two profitable years and tax reduction in the third to fifth years.

2. Through full implementation of the GMP standard, product quality has been better guaranteed. With an expansion in the scale of production, production technologies will also be enhanced with the ability to manufacture a wide range of medicines and high and new technology products, hence establishing a production system that caters to market demand.

3. As the Company is a High and New Technology Enterprise, its projects have been reviewed by the State government in recent years and certain projects have been recognised as high and new technology projects. The following products have been approved to receive the following awards in 2002:

    a) The State Class 2 New Medicine against pancreatitus, Urinary trypsin inhibitor (尿胰蛋白酶抑制劑) is to be awarded a loan plus interest of RMB850,000 by Innovative Technology Fund for Medium and Small Enterprises of Ministry of Science and Technology, and a grant of RMB425,000 by Science and Technology Department of Jilin Province.

    b) The State Class 3 New Medicine against lung and heart diseases, Yushi cardiopulmonary tablets (魚石肺心顆粒) is to be awarded a grant of RMB400,000 by Innovative Technology Fund for Medium and Small IT Enterprises of Jilin Province, and a grant of RMB200,000 by an IT public relations firm in Changchun City.

Directors' and Supervisors' interests in shares

As at 30th September, 2002, the beneficial interests of the Company's directors, supervisors and their respective associates in the share capital of the Company which will be required pursuant to section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") to be entered in the register referred to therein or which required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	**Personal Interest** *Number of shares (Note)*	**Family Interest** *Number of shares*	**Corporate Interest** *Number of shares*	**Other Interest** *Number of shares*
Feng Zhen Wen	220,000	–	–	–
Lu De Yi	100,000	–	–	–
Li Xiu Jie	100,000	–	–	–
Yu Cheng Kun	60,000	–	–	–
Guo Bin	50,000	–	–	–
Wu Tie Min	50,000	–	–	–
Xu Feng Ying	50,000	–	–	–
Wang Ting Jun	50,000	–	–	–

Note: All are domestic shares

Except as disclosed above, as at 30th September, 2002, none of the Company's directors, supervisors and their respective associates holds any interests of the Company. None of the Company's directors or supervisors or their spouse or children under the age of 18 has been offered or exercised any rights to subscribe for the shares of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	**Number of shares held**	**Percentage of shareholding**
Changchun Kuangcheng Pharmaceutical Factory	172,000,000 *(note)*	30.66%

Note: All are domestic shares

Save as disclosed above, as far as the Company awares, as at 30th September, 2002, no person had registered an interest of 10% or more in the share capital of the Company.

COMPETITING INTERESTS

As at 30th September, 2002, none of the director or management shareholders (as defined in GEM Listing Rules) of the Company had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

SPONSORS' INTERESTS

Pursuant to the agreement dated 20th June, 2002 entered into between the Company and CSC Asia Limited ("CSC Asia"), for the purpose of Chapter 6 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules"), CSC Asia was retained as Company's sponsor during the period between 28th June, 2002 (date of listing) to 31st December, 2004.

As at 30th September, 2002, neither CSC Asia, its directors, employees or their respective associates has any interest in the Company's securities nor has any rights to subscribe for or to nominate persons to subscribe for securities of the Company.

COMPLIANCE OF RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since the listing of its shares on 28th June, 2002.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

For the period ended 30th September, 2002, the Company did not purchase, dispose of or redeem any of the its listed shares.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The quarterly results of the Company for the nine months ended 30th September, 2002 have been reviewed by the audit committee, who were of the opinion that such results were prepared in accordance with the applicable accounting standards and requirements, and that adequate disclosures had been made.

By order of the Board
Feng Zhen Wen
Chairman

Jilin Province, the PRC, 13th November, 2002