



上海實業醫藥科技(集團)有限公司*

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD.

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Results Announcement for the nine months ended 30th September 2002

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HIGHLIGHTS

- Turnover of the Group rose 17.9%.
- Profit from ordinary activities before taxation (excluding the exceptional income from Shanghai Jahwa in 2001) achieved a growth of 9.9%. Net profit for the three months ended 30th September 2002 was 10.6% higher than the corresponding period last year.
- Sales of “Qingchunbao Anti-ageing Tablets” increased by 51%, to a total of HK\$267 million.
- Sales of “Shen Mai Injection”, “Dan Shen Injection”, “Herba Houttuyniae Injection” and “Huang Qi Injection” rose by 5.4%, 10.1%, 34.7% and 17.6% respectively.
- “Qingchunbao Beauty Capsule” was launched in August in this year. By the end of September, sales had exceeded HK\$6 million.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

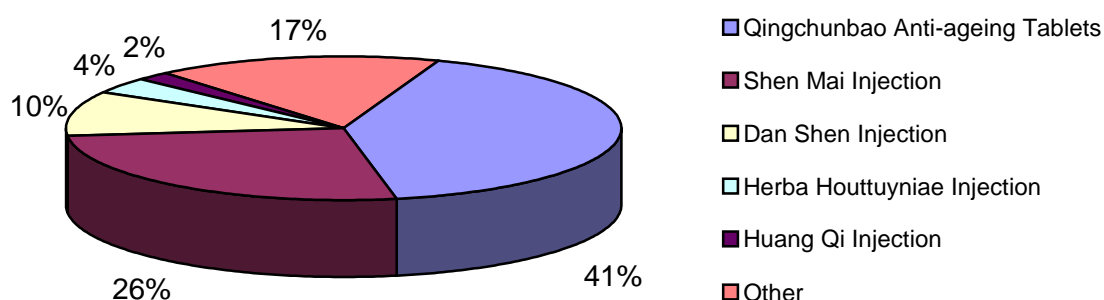
The Board of Directors of SIIC Medical Science and Technology (Group) Limited (the “Group”) is pleased to announce unaudited turnover for the nine months ended 30th September 2002 of approximately HK\$643.5 million, representing an increase of 17.9% over the same period in the previous year. Profit from operations for the period was HK\$144.3 million. Excluding the exceptional income of HK\$155 million from the listing of Shanghai Jahwa United Co., Ltd. (“Shanghai Jahwa”) on the Shanghai Stock Exchange A Shares Market in 2001, profit from ordinary activities before taxation achieved a growth of 9.9% when compared to the same period last year. Net profit for the three months ended 30th September 2002 was 10.6% higher than the corresponding period last year.

As of 30th September 2002, the Group had over HK\$480 million net cash. The Group has ample liquidity and is in a strong financial position.

Pharmaceutical and Healthcare Products

“Shen Mai Injection” generated the highest sales, accounting for 26% of the overall turnover of the Group. The second-highest revenue generator was “Dan Shen Injection”, accounting for 10% of the Group’s turnover. Sales of these two products were 5.4% and 10.1% higher than in the same period last year. Sales of the two other major products, “Herba Houத்துyniae Injection” and “Huang Qi Injection”, were up 34.7% and 17.6% respectively. “Qingchunbao Anti-ageing Tablets” remained the chief growth driver with sales for the nine months reaching HK\$267 million, an increase of 51% over the corresponding period last year and exceeding 2001 annual turnover.

Sales Analysis



The Group believes that market expansion is vital to business development in the pharmaceutical industry and that success is built on products. During the period, the marketing focus of the Group was on products that have a strong competitive edge and various training programmes were held for the marketing team. Consequently, the Group was able to maintain sustainable growth under increasingly competitive market conditions.

“Qingchunbao Beauty Capsule” was launched in August this year. By the end of September, sales had exceeded HK\$6 million. Efforts will be made on further sales promotion of the product to expand the Group’s share of the healthcare products market. The Group intends to launch other new products by the end of this year. “Lycium Barbarum Granules” will be launched to the market in November.

During the period, the Group allocated HK\$38.87 million to invest in Xiamen Traditional Chinese Medicine Co. Ltd. (“Xiamen Chinese Medicine”) and acquire a 56% stake in the company, comprised of newly issued shares. The relevant business registration procedures were finalised in September this year and the preparatory work for the new company is in progress. The Group will leverage its experience in research and development, marketing and enterprise management to achieve new milestones for Xiamen Chinese Medicine. The company’s results have been consolidated in the accounts of the Group from September this year.

With regard to the enhancement of production facilities, during the period, the workshops located in Hangzhou for the production of mixture products, decoction products, syrup products, capsule products and granule products, and the second tablet workshop were modified in compliance with GMP requirements. GMP certification is now in progress. The injection workshop was also extended to increase the production capacity in order to meet the market demand for the Group’s injection products. Furthermore, the Group plans to build an automatic extract workshop in Hangzhou that will be fully compliant with GMP standards. The structural modification of the two workshops for pulvis and lozenge products located in Xiamen has been completed. GMP certification will be arranged before the end of the year.

Total capital expenditure for these projects would amount to almost HK\$100 million. The portions attributable to the year 2002 would be HK\$62 million, to be funded from internal resources of the fellow subsidiaries.

Medical Care and Nursing Products

During the period, Guangdong Biolight Medical Technology Co. Ltd. (“Guangdong Biolight”) strengthened its marketing efforts and participated in trade fairs held in Qingdao, Xian, Beijing and Zhengzhou. As a partner of GE Medical Systems Trading and Development (Shanghai) Ltd. (“GE Medical Systems”), the company joined marketing intelligence training programs organised by GE Medical Systems. Staff confidence and morale was improved. Guangdong Biolight also endeavoured to upgrade its existing products during the period. New models of medical monitoring products were launched at the nationwide medical instrument exhibition held in Guilin in October 2002. It is hoped that the new products will act as a stimulant to further sales growth.

During the period, E-COM Technology Limited (“E-COM Technology”) has enhanced its

research and development efforts and a specialty image processing task force was formed to improve product quality. As at 30th September 2002, sales contracts on hand and are in progress achieving 2.16 times increase over the annual turnover for 2001. E-COM Technology's products fill a niche in the market for medical digital imaging and information systems in the PRC. The business development of the company is promising.

MicroPort Medical (Shanghai) Co. Ltd. ("MicroPort") strengthened its sales force by setting up a direct sales team during the period. Consequently, sales performance has improved. Turnover for the third quarter was approximately two times higher than in the second quarter this year. New generation coronary stents and PTCA balloon catheters were launched during the period. Furthermore, the State Drug Administration has granted approval for the company's renal artery stent. MicroPort is the first domestic enterprise allowed to market such a product; most medical instruments for micro wounds are currently imported. The Group believes that MicroPort has good potential in the development, localisation and large-scale production of new products. Apart from the PRC market, MicroPort will also study the feasibility of exploring the international market to expand the scale of the company.

Personal Care Products

Competition in the personal care sector has also been keen, with consumer prices declining. To certain extent it affected the sales growth for Shanghai Jahwa. Nevertheless, the unit contributed HK\$20.8 million and sales was higher than the corresponding period last year. In response to the poor market conditions, Shanghai Jahwa has accelerated the development of new products and has enhanced its competitiveness through structural re-organisation, refinement of business procedures and results assessment. These measures will form a solid foundation for the company's future development.

PROSPECTS

Since 2001, the Government has further reformed its healthcare system. A series of pharmaceutical reform policies aimed at regulating the operation of pharmaceutical business have been gradually implemented and have affected the business of pharmaceutical enterprises. The implementation of a tender system has stimulated competition, forcing medical enterprises to maintain their profitability through mergers, acquisitions and asset restructuring.

The Group will continue to strengthen its modernised Chinese medicine business through mergers and acquisitions and will consolidate its research and development to step up the pace of business development. While the modernised Chinese medicine business will remain the Group's core operation, it will also seek to enter other high growth sectors in the pharmaceutical and medical care industries in order to widen its income stream. The Group will leverage its sound financial strength and flexible operational structure to strive for better returns for our shareholders.

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders for their continued and invaluable support, and all the staff of the Group for their continued hard work and strong commitment.

A handwritten signature in black ink, consisting of stylized Chinese characters, likely 'Lu Ming Fang'.

Lu Ming Fang

Chairman

Hong Kong, 7th November 2002

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results for the three months and nine months ended 30th September 2002 of the Company and its subsidiaries (the "Group") and the comparative figures for the corresponding periods last year are set out below:

	Notes	Three months ended 30th September		Nine months ended 30th September	
		2002 Unaudited HK\$'000	2001 Unaudited HK\$'000	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Turnover	3	223,598	206,601	643,482	546,003
Cost of sales		(89,720)	(80,171)	(240,077)	(213,334)
Gross profit		133,878	126,430	403,405	332,669
Investment income		1,037	1,976	4,883	7,540
Distribution costs		(53,771)	(55,184)	(187,636)	(147,855)
Administrative expenses		(25,013)	(9,929)	(76,304)	(57,196)
Profit from operations	4	56,131	63,293	144,348	135,158
Finance costs		(9)	-	(9)	-
Gain on deemed disposal of interest in a jointly controlled entity		-	-	-	155,694
Share of profit of an associated company		7,910	-	24,118	17,933
Share of profits (losses) of jointly controlled entities		(401)	(90)	(406)	(117)
Profit from ordinary activities before taxation		63,631	63,203	168,051	308,668
Taxation	5	(16,409)	(16,270)	(44,520)	(35,845)
Profit before minority interests		47,222	46,933	123,531	272,823
Minority interests		(21,073)	(23,282)	(51,864)	(50,258)
Net profit for the period		26,149	23,651	71,667	222,565
Dividends	6	-	-	27,900	18,600
Earnings per share - Basic	7	4.22 cents	3.81 cents	11.56 cents	35.90 cents
- Diluted		N/A	N/A	11.51 cents	N/A

Notes:

1. BASIS OF PREPARATION

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with accounting policies generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants. The consolidated income statement has been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities.

2. COMPARATIVE FIGURES

Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司) (“Shanghai Jahwa”), previously a jointly controlled entity of the Group, was listed on the Shanghai Stock Exchange A Shares Market on 15th March 2001 and became an associate since then. In accordance with Hong Kong Statements of Standard Accounting Practice 10 “Accounting for investments in associates”, the Company should include only published financial information of its listed associate in its financial statements. In 2001, Shanghai Jahwa only published its financial information for the six months ended 30th June 2001, and did not publish its financial information for the three months ended 30th September 2001. As a result, the income statement of the Group for the three months and nine months ended 30th September 2001 did not include the sharing of results of Shanghai Jahwa for the three months ended 30th September 2001.

3. TURNOVER

Turnover represented the net amounts received and receivable for goods sold by the Group to outside customers during the period.

During the nine months ended 30th September 2002 and 2001, the Group was engaged in the manufacture and sale of Chinese medicine and health supplement products. More than 90% of the Group's turnover, contribution to operating profit and assets was attributed to this business segment and located in the PRC.

4. PROFIT FROM OPERATIONS

During the period, the profit from operations was principally from Chia Tai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司) (“Hangzhou Qingchunbao”).

5. TAXATION

	Three months ended 30th September		Nine months ended 30th September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
PRC income tax				
- current year	15,031	16,283	33,177	34,502
- underprovision in prior years	-	-	8,011	-
	15,031	16,283	41,188	34,502
Share of PRC income tax of an associate	1,376	-	3,313	1,279
Share of PRC income tax of jointly controlled entities	2	(13)	19	64
	16,409	16,270	44,520	35,845

Hangzhou Qingchunbao, the major subsidiary of the Company having an assessable profit, is subject to a PRC income tax rate of 24% (30th September 2001 : 24%).

Pursuant to an approval received from local tax authorities in September 2001, an associate of the Group, Shanghai Jahwa was classified as one of the approved "High Technology entities". Accordingly, Shanghai Jahwa is entitled to a preferential PRC income tax rate of 13.5% for the three years ending 31st December 2003.

Taxation on profits of other subsidiaries and jointly controlled entities of the Group has been provided on the estimated assessable profits for the period at the rates applicable to those enterprises.

The Group had no significant unprovided deferred taxation for the respective periods.

6. DIVIDENDS

On 6th May 2002, a final dividend of HK3 cents per share and a special final dividend of HK1.5 cents per share were approved for the year ended 31st December 2001.

On 26th April 2001, a final dividend of HK3 cents per share for the year ended 31st December 2000 was approved.

No interim dividends has been paid during the nine months ended 30th September 2002 and 30th September 2001.

7. EARNINGS PER SHARE

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

	Three months ended 30th September		Nine months ended 30th September	
	2002	2001	2002	2001
Earnings:				
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	HK\$26,149,000	HK\$23,651,000	HK\$71,667,000	HK\$222,565,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	620,000,000	620,000,000	620,000,000	620,000,000
Effect of dilutive potential ordinary shares – shares options	-	-	2,549,768	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	620,000,000	620,000,000	622,549,768	620,000,000

8. RESERVES

	<u>Share premium</u> <i>HK\$'000</i>	<u>Contributed surplus</u> <i>HK\$'000</i>	<u>Goodwill reserve</u> <i>HK\$'000</i>	PRC <u>statutory funds</u> <i>HK\$'000</i>	<u>Translation reserve</u> <i>HK\$'000</i>	<u>Accumulated profits</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
THE GROUP							
At 1st January 2001							
- as originally stated	192,130	194,649	(20,725)	14,040	(12)	64,033	444,115
- as adjusted for derecognition of liability for 2000 final dividend	-	-	-	-	-	18,600	18,600
- as restated	192,130	194,649	(20,725)	14,040	(12)	82,633	462,715
Realised on deemed disposal of interest in a jointly controlled entity	-	-	-	(757)	-	-	(757)
Net profit for the period	-	-	-	-	-	222,565	222,565
Dividends (note 6)	-	-	-	-	-	(18,600)	(18,600)
At 30th September 2001	192,130	194,649	(20,725)	13,283	(12)	286,598	665,923
THE GROUP							
At 1st January 2002	192,130	194,649	(20,725)	23,878	(12)	286,123	676,043
Net profit for the period	-	-	-	-	-	71,667	71,667
Dividends (note 6)	-	-	-	-	-	(27,900)	(27,900)
At 30th September 2002	192,130	194,649	(20,725)	23,878	(12)	329,890	719,810

OTHER INFORMATION

DIVIDENDS

In order to ensure sufficient capital for future business development, the Board of Directors has resolved not to pay an interim dividend for the nine months ended 30th September 2002 (30th September 2001: Nil). Subject to the approval of the shareholders, the Directors will declare the payment of a final dividend for the year ending 31st December 2002.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 2002, certain Directors of the Company have personal interests in Shanghai Industrial Holdings Limited, an intermediate holding company of the Company ("SIHL"). Save as disclosed hereinabove, none of the Directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

Name of director	Number of shares of SIHL held as personal interest
Lu Ming Fang	2,700,000
Li Wei Da	1,200,000
Zhou Jie	2,700,000
Wu Jian Zhuang	1,000,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) As at 30th September 2002, certain Directors of the Company have personal interests in share options to subscribe for shares in the Company which have been granted to them pursuant to the Initial Share Option Scheme as follows:

Name of director	Month of grant	Exercise price per share HK\$	Outstanding at 1st January 2002 and 30th September 2002
Feng Gen Sheng	January 2000	1.69	6,000,000
Li Wei Da	January 2000	1.69	6,000,000
Chen Shu Zi	January 2000	1.69	4,000,000
Ge Wen Yao	January 2000	1.69	2,500,000
Wu Jian Zhuang	January 2000	1.69	2,500,000

The aforesaid options can be exercised during the period from 21st January 2003 to 20th January 2006.

(b) As at 30th September 2002, certain directors of the Company have interests in share options to subscribe for shares in SIHL which were granted to them pursuant to the share option scheme of SIHL as follows:

Name of director	Month of grant	Exercise price per share HK\$	Outstanding at 1st January 2002	Exercised during the period	Outstanding at 30th September 2002
Lu Ming Fang	August 1998	10.432	500,000	500,000	-
	January 1999	9.568	1,200,000	1,200,000	-
	July 2001	10.432	1,500,000	-	1,500,000
Li Wei Da	January 1999	9.568	1,200,000	1,200,000	-
Zhou Jie	August 1998	10.432	1,500,000	1,500,000	-
	January 1999	9.568	1,200,000	1,200,000	-
Chen Shu Zi	July 2001	10.432	1,500,000	-	1,500,000
Wu Jian Zhuang	January 1999	9.568	1,000,000	1,000,000	-

The aforesaid options can be exercised during three and a half years commencing on the expiry of six months after the date of acceptance.

Save as disclosed above, at no time during the period was the Company or its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

DIRECTORS' INTEREST IN CONTRACTS

Mr. Lee Ka Sze, Carmelo, an Independent Non-Executive Director of the Company, is a partner of Messrs. Woo, Kwan, Lee & Lo, solicitors. The firm rendered professional services to the Group and received normal remuneration for such services.

Excepted as disclosed above, there were no contracts of significance to which the Company or its holding companies or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, the register kept by the Company under Section 16(1) of the SDI

Ordinance showed that the following parties are interested in 10% or more of the nominal value of the issued ordinary shares of the Company:

Name of shareholder	Number of ordinary shares beneficially held
Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”) <i>(note)</i>	401,885,000
Shanghai Industrial Investment Treasury Company Limited (“STC”) <i>(note)</i>	398,618,000
Shanghai Investment Holdings Limited (“SIH”) <i>(note)</i>	398,618,000
Shanghai Industrial Holdings Limited (“SIHL”) <i>(note)</i>	398,618,000
Central Force Investments Limited (“CFI”)	372,000,000

Note: S.I. Infrastructure Holdings Limited (“SIIH”) and SIHL Treasury Limited (“SIHL Treasury”) are the beneficial owners of 4,261,000 and 3,238,000 ordinary shares of the Company respectively. SIIH, SIHL Treasury and CFI are wholly owned subsidiaries of SIHL, which is, in turn, a subsidiary of SIH. STC owns 100% of SIH. SIIC owns 100% of STC. Accordingly, SIIC are deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by STC, SIH, SIHL, SIIH, SIHL Treasury and CFI as listed above.

Nanyang Enterprises Limited (“NEL”) and Nanyang Enterprises Property Limited (“NPL”) are the beneficial owners of 2,843,000 and 424,000 ordinary shares of the Company respectively. SIIC owns 100% of NEL, NPL and STC. Accordingly, SIIC is deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by NEL, NPL and STC.

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

COMPETING INTERESTS

The ultimate holding company of the Company, Shanghai Industrial Investment (Holdings) Co., Ltd. has interest in SIIC Investment (Shanghai) Co., Ltd. (“SIICI”) and Shanghai Industrial United Holdings Co., Ltd. (“Shanghai United”). Shanghai Industrial Holdings Limited, an intermediate holding company of the Company, has interest in Shanghai Sunve Pharmaceutical Co., Ltd. (“Sunve Pharmaceutical”), Shanghai Sunway Biotech Co., Ltd. (“Sunway Biotech”) and Mergen Limited (“Mergen”).

SIICI has interest in Shanghai SIIC SMU Biotech Co., Ltd. (“SMU Biotech”) and Shanghai SIIC Kehau Biopharmaceutical Co., Ltd. (“SIIC Biopharmaceutical”). SMU Biotech is principally engaged in the manufacturing and distribution of recombinant streptokinase for injection, which is used for emergency treatment to dissolve blood clog from myocardial infection. SIIC Biopharmaceutical is principally engaged in research and development of EPO, which has a medical application for increasing erythrocyte.

Shanghai United is a conglomerate engaging in traditional Chinese medicine, medical equipment, e-commerce, textiles, garments and international trade etc. Certain fellow companies of Shanghai United are engaging in medical and pharmaceutical related

operations which included Shanghai Medical Instruments Co., Ltd. (“SMIC”), Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (“SIUHP”), Zhejiang Jolly Pharmaceutical Co., Ltd. (“Jolly”), Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (“SIUHP”) and Changzhou Pharmaceutical Co., Ltd. (“Changzhou Pharmaceutical”). SMIC is engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment. SIUHP is engaged in research and development of Chinese and Western pharmaceutical products, bio-pharmaceutical, medical bioengineering and medical equipment. Jolly and SIUHP are engaged in the development, manufacturing and sale of Chinese medicine and health maintenance products. Changzhou Pharmaceutical is engaged in chemical dosage, chemical materials, biological products, Chinese patent medicine, medicinal herbs and medical instruments. Mr. Lu Ming Fang is a director of Shanghai United and holds 15,000 shares of Shanghai United.

Sunve Pharmaceutical is principally engaged in the development, manufacture and sale of Western pharmaceutical products. Sunway Biotech is principally engaged in the research, development, manufacturing and sale of granulocyte colony stimulant and anti-cancer drug. Mergen is principally engaged in the research and development of biotechnology products.

Save as disclosed above, as at 30th September 2002, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The audit committee comprises Messrs. Li Ka Cheung, Eric, Kwok Chin Kung, Robert and Lee Ka Sze, Carmelo. The primary duties of the audit committee are to review financial reporting process and internal control systems of the Group and annual report, half-yearly report, quarterly reports and accounts of the Company.

BOARD PRACTICES AND PROCEDURES

During the period, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM 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.

** for identification purposes only*

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