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)*

# First Quarterly Results Announcement for the three months ended 31st March 2003

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This announcement, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# HIGHLIGHTS

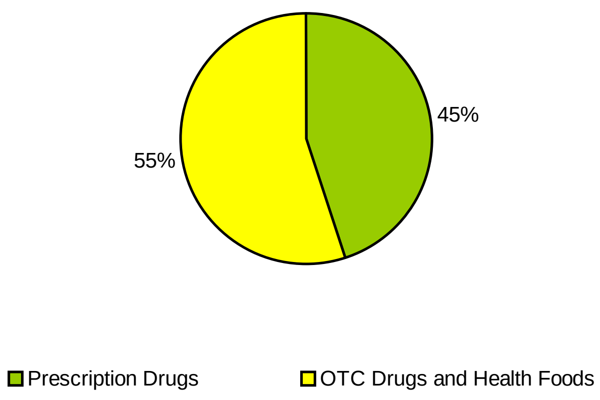
## Results

| | Three months ended 31st March | | |
|---|---|---|---|
| | **2003** | 2002 | Change |
| | **HK$'000** | HK$'000 | |
| Turnover | **325,740** | 237,420 | + 37.2% |
| Operating profit | **53,316** | 46,428 | + 14.8% |
| Profit for the period | **21,067** | 18,864 | + 11.7% |
| Net assets per share | **HK$1.30** | HK$1.18 | |

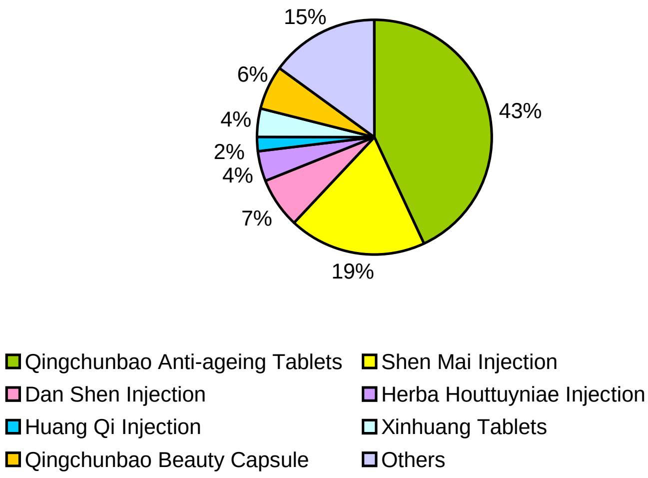
## Principal Products

| | Turnover<br>Three months ended 31st March | | |
|---|---|---|---|
| | **2003** | 2002 | Change |
| | **HK$'000** | HK$'000 | |
| Shen Mai Injection | **60,407** | 56,248 | +7.4% |
| Dan Shen Injection | **22,737** | 21,468 | +5.9% |
| Herba Houttuyniae Injection | **11,677** | 9,144 | +27.7% |
| Huang Qi Injection | **4,732** | 4,183 | +13.1% |
| Xinhuang Tablets | **13,365** | 12,150 | +10.0% |
| Qingchunbao Anti-ageing Tablets | **140,964** | 119,407 | +18.0% |
| Qingchunbao Beauty Capsule | **20,921** | N/A | |

**Sales Analysis**




**Sales Analysis of Principal Products**



# BUSINESS REVIEW AND PROSPECTS

## BUSINESS REVIEW

The Board of Directors of SIIC Medical Science and Technology (Group) Limited (the "Group") is pleased to announce that its unaudited consolidated profit for the three months ended 31st March 2003 amounted to approximately HK$21.1 million, representing an increase of 11.7% over the same period of last year. Its turnover rose by more than 37.2% to HK$326 million. Overall, business grew steadily. The Group acquired Xiamen Traditional Chinese Medicine Co. Ltd. ("Xiamen Chinese Medicine") in 2002. This company's net profit for the three months ended 31st March 2003 was 7.9 times of its pro-forma results for the corresponding period of last year. Apart from strengthening its existing business operations, the Group also actively sought opportunities for further acquisitions. In April 2003, it reached an agreement to acquire a 30% stake in Hangzhou Huqingyutang Pharmaceutical Co. Ltd. ("Huqingyutang Pharmaceutical"). The relevant Government authorities have approved this agreement, and the Group has earmarked HK$78.67 million for the project. The Group will continue to look for significant acquisition opportunities.

Through its investment last year in Hangzhou Huqingyutang Drugstore Co. Ltd., the Group has entered the retail medicine market. Following the completion of the Huqingyutang Pharmaceutical agreement, its involvement will be further extended to include the manufacture and sale of Chinese pharmaceutical products and health foods under the "Huqingyutang" brand name. "Huqingyutang" was established in 1874 by Mr. Hu Xueyan, an official merchant in the late Qing Dynasty, popularly known as the "Medicine King of Southern China". Since its foundation, the company has adhered to the principles of "Integrity", "Social Benevolence" and "Value for Money". The brand enjoys considerable prestige in the Chinese pharmaceutical industry. The Group will seize the business opportunities that arise from these projects, with the aim of achieving better returns for its shareholders.

### *PHARMACEUTICAL PRODUCTS AND HEALTH FOODS*

#### Prescription Drugs

During the period under review, sales of the Group's prescription drugs were satisfactory, with a double-digit growth rate. Sales of the four principal injection products – "Shen Mai Injection", "Dan Shen Injection", "Herba Houttyuniae Injection" and "Huang Qi Injection" – rose by 7.4%, 5.9%, 27.7% and 13.1% respectively. Sales of "Xinhuang Tablets" were 10% higher than the pro-forma results for the corresponding period of last year. It is one of the Group's top five prescription drugs.

Earlier this year, the National Development and Reform Commission of China announced a list of the maximum retail prices for 267 Chinese medicines. Two of the Group's principal injection products, Dan Shen Injection and Huang Qi Injection were included on the list. Since it can charge favourable retail prices for these products, according to the principle of

"Good Prices for Good Products", the existing retail prices of the products were not affected. The Group will take advantage of this opportunity to further expand the market share of its injection products. With regard to marketing, the Group has enhanced the promotion of its brands and modified its conventional marketing approach to improve operational efficiency.

**OTC Drugs and Health Foods**

OTC drugs and health foods accounted for 55% of the Group's overall sales. During the first quarter of this year, sales of its new product, "Qingchunbao Beauty Capsule", exceeded RMB22 million, and the future prospects for this product are promising. In addition, sales of "Qingchunbao Anti-ageing Tablets" have grown significantly in the past few consecutive years. During the quarter under review, sales increased once again, by 18%, to a total of RMB150 million. The Group will endeavour to maintain its leading position in the Jiangsu, Zhejiang and Shanghai markets, as well as exploring markets in other regions. While striving to secure its position in Zhejiang, it will also expand its presence in Shanghai and make greater efforts to develop sales in Suzhou, Shenzhen and Beijing.

**Research and Development**

In order to maintain its competitive edge, the Group has enhanced its research and development efforts, in both the pharmaceutical and health food sectors. Besides the continued development of new Category I and II medicines, the Group has also focused on innovative health food products. The latter generally have a shorter research and development cycle, and can satisfy market demands better. Applications for the production of two more health food products, "Lycium Barbarum Effervescent" and "Lycium Barbarum Seed Capsule", were submitted in April this year, and it is expected that these products will be launched on the market before the third quarter. With regard to secondary research and development, the Group will endeavour to enhance the market potential and competitiveness of its existing products by improving the quality of their formulation and applications.

**Production Technology**

During 2003, the Group will speed up the adoption of new technology in its business operations, in order to satisfy growing demand for its products. Construction work on an automatic extraction facility in Hangzhou is now in its final stages, and trial production is expected to begin in June this year. The Group has earmarked approximately HK$30 million for this facility, which has a total floor area of approximately 4,855 square metres and an annual production capacity of 3,000 tonnes of herbal extracts. In addition, the Group will rebuild its Chinese medicine granule workshop and crude herb preparation facility. Work on these two projects will commence this year and is scheduled for completion in 2004 at a total investment cost in the region of HK$42 million. Between them, the three projects will significantly increase Hangzhou Qingchunbao's production capability, thus strengthening the company's competitiveness.

**New Acquisition**

In April this year, the Group concluded an agreement to acquire a 30% interest in Huqingyutang Pharmaceutical for a consideration of HK$78.67 million. The relevant Government authorities have approved this agreement. Huqingyutang Pharmaceutical has the exclusive licence to manufacture and sell proprietary Chinese medicines and health foods in Mainland China under the renowned “Huqingyutang” trademark, free of charge. The company’s turnover for the year 2002 was approximately RMB143.9 million. Huqingyutang Pharmaceutical has obtained approvals to manufacture more than 170 Chinese medicines. Three of its products have been certified as State-protected Traditional Chinese Medicines, and 40 products are listed in the National Essential Health Insurance Medicine Catalogue. The company’s major markets are in Eastern China. It has been granted Good Manufacturing Practice (“GMP”) certificates for the production of tablets, capsules, granules, mixtures (including oral solutions) and syrups. GMP certification procedures for its pills, powders, soft capsules and eye drops production facilities are in progress, and the Zhejiang Drug Administrative Bureau has granted preliminary approval for these. Huqingyutang’s flagship product is its Stomach Rejuvenation Tablets, a prescription drug for which sales last year exceeded RMB77.4 million. The Stomach Rejuvenation Tablets strengthen the functioning of the spleen, increase vital energy, activate blood circulation and detoxify the blood. They are used for the treatment of chronic superficial gastritis and for adjuvant treatment of gastric carcinoma after chemotherapy or radiotherapy.

***MEDICAL EQUIPMENT***

During the period under review, the Group stepped up its development of existing products, with an emphasis on marketing and promotional activities. In March and April this year, E-COM Technology Ltd. raised its market profile through participation in the annual meetings of the Radiologic Association of Taiwan and the International Medical Equipment Exhibition in Beijing, where it demonstrated its products. Since certain “E-COM” digital angiographic systems and its “Biolight” monitoring and diagnostic equipment are effective for diagnosing and monitoring SARS patients, the number of orders received for them has significantly increased since the period under review.

Sales of the company’s “MicroPort” apparatus for vascular and interventional surgery were also substantially greater than last year. Among them, sales of coronary stent systems increased by the largest percentage. With regard to the development of new products, the State Food and Drug Administration has approved the first generation of medicated stent systems for clinical trials. Research and development of the second generation of medicated stent systems also made progress, and animal tests were begun. Certification of the balloon dilation catheters by Ministry of Health, Labour and Welfare of Japan was in progress, and approval for them is expected during the third quarter.

### *PERSONAL CARE PRODUCTS*

In the personal care sector, revenue from Shanghai Jahwa's principal activities in the first quarter of 2003 was higher than in the corresponding period of last year. This contributed approximately HK$3.2 million to the Group's profits. In response to a decline in the growth of the personal care product market and increasing competition, Shanghai Jahwa has aimed to strengthen its competitiveness by enhancing product quality and service. In response to the outbreak of SARS, Shanghai Jahwa has launched an antiseptic lotion and an air freshener.

## PROSPECTS

The Group will maintain a proactive, open and enterprising business approach, leveraging its financial soundness and flexible operational structure to continue its forward momentum. Pharmaceuticals will remain its core business, with other medical-related operations as sidelines. The Group will optimise both its business operations and the management of its assets, while continuing to strengthen and expand its asset base through mergers, acquisitions and integration of internal and external resources. It is also committed to enhancing its research and development capabilities, in order to strengthen its core competitiveness. The Group's ultimate aim is to build a strong pharmaceutical business platform as the base for continuous development.

Although the impact of SARS on pharmaceutical enterprises has been comparatively mild, the Group has been taking strict precautionary measures. Contingency plans have been adopted, and staff rotation schedules have been carefully arranged to maintain the continuity of normal business operations and safeguard the health of all employees.

Finally, on behalf of the Board of Directors, I wish to thank all the staff of the Group for their continued hard work, and our shareholders for their strong support.

**Lu Ming Fang**
*Chairman*

Hong Kong, 9th May 2003

## CONSOLIDATED INCOME STATEMENTS

The unaudited consolidated income statements for the three months ended 31st March 2003 of the Company and its subsidiaries (the "Group") and the comparative figures for the corresponding period last year are set out below :

| | | Three months ended 31st March | |
|---|---|---|---|
| | | **2003** | 2002 |
| | **Note** | **HK$'000** | HK$'000 |
| Turnover | 2 | **325,740** | 237,420 |
| Cost of sales | | **(118,094)** | (84,587) |
| Gross profit | | **207,646** | 152,833 |
| Investment income | | **645** | 1,368 |
| Other income | | **141** | - |
| Distribution costs | | **(115,697)** | (83,007) |
| Administrative expenses | | **(39,419)** | (24,766) |
| Profit from operations | | **53,316** | 46,428 |
| Finance costs | | **(70)** | - |
| Share of results of an associate | | **3,337** | 3,795 |
| Share of results of jointly controlled entities | | **(286)** | (352) |
| Amortisation of goodwill on acquisition of jointly controlled entities | | **(504)** | - |
| Profit from ordinary activities before taxation | | **55,793** | 49,871 |
| Taxation | 3 | **(14,949)** | (12,546) |
| Profit before minority interests | | **40,844** | 37,325 |
| Minority interests | | **(19,777)** | (18,461) |
| Profit for the period | | **21,067** | 18,864 |
| Dividends | 4 | **24,800** | 27,900 |
| Earnings per share – Basic | 5 | **HK3.4 cents** | HK3.0 cents |

**Notes :**

1. **Basis of preparation**

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

2. **Turnover**

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

   For the period ended 31st March, 2003 and 2002, 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 attributable to this business segment and located in the PRC.

3. **Taxation**

| | **Three months ended 31st March** | |
|---|---|---|
| | **2003** | 2002 |
| | **HK$'000** | HK$'000 |
| The charge comprises: | | |
| PRC income tax | **14,676** | 12,077 |
| Share of PRC income tax of an associate | **138** | 452 |
| Share of PRC income tax of jointly controlled entities | **135** | 17 |
| | **14,949** | 12,546 |

Chai Tai Qingchunbao Pharmaceutical Co. Ltd., the major subsidiary of the Company having an assessable profit, is subject to a PRC income tax rate of 24% (2002 : 24%).

Pursuant to an approval received from local tax authorities in September 2001, Shanghai Jahwa United Co. Ltd. ("Shanghai Jahwa"), an associate of the Group, 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 year at the rates applicable to those enterprises.

The Group had no significant unprovided deferred taxation for the period.

## 4. Dividends

| | Three months ended 31st March **2003** HK$'000 | 2002 HK$'000 |
|---|---|---|
| 2002 Final dividend of HK4 cents per share (31st March 2002 : 2001 final dividend of HK3 cents and special final dividend of HK1.5 cents per share, totally HK4.5 cents per share) | **24,800** | 27,900 |

## 5. Earnings per share

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

| | Three months ended 31st March **2003** | 2002 |
|---|---|---|
| Earnings: | | |
| Net profit for the period and earnings for the purpose of basic earnings per share | **HK$21,067,000** | HK$18,864,000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **620,000,000** | 620,000,000 |

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the period.

## 6. Reserves

| | Share premium HK$'000 | Contributed surplus HK$'000 | Goodwill reserve HK$'000 | PRC statutory funds HK$'000 | Translation reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| THE GROUP | | | | | | | |
| At 1st January 2002 | 192,130 | 194,649 | (20,725) | 23,878 | (12) | 286,123 | 676,043 |
| Net profit for the period | - | - | - | - | - | 18,864 | 18,864 |
| Dividends (note 4) | - | - | - | - | - | (27,900) | (27,900) |
| At 31st March 2002 | 192,130 | 194,649 | (20,725) | 23,878 | (12) | 277,087 | 667,007 |
| THE GROUP | | | | | | | |
| At 1st January 2003 | 192,130 | 194,649 | (8,230) | 23,878 | (12) | 345,744 | 748,159 |
| Transfer | - | - | - | 12,287 | - | (12,287) | - |
| Net profit for the period | - | - | - | - | - | 21,067 | 21,067 |
| Dividends (note 4) | - | - | - | - | - | (24,800) | (24,800) |
| At 31st March 2003 | 192,130 | 194,649 | (8,230) | 36,165 | (12) | 329,724 | 744,426 |

# 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 three months ended 31st March 2003 (31st March 2002: Nil). Subject to the approval of the shareholders, the Directors will declare the payment of a final dividend for the year ending 31st December 2003.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2003, Mr. Shen Wei Jia held 225,000 shares of the Company and 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 31st March 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 | Outstanding at 1st January 2003 and 31st March 2003 |
|---|---|---|---|
| | | HK$ | |
| 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 are exercisable during the period from 21st January 2003 to 20th January 2006.

(b) As at 31st March 2003, certain directors and employees of the Company have interests in share options ("SIHL Options") to subscribe for shares in SIHL ("SIHL shares") 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 2003 and 31st December 2003** |
|---|---|---|---|
| Lu Ming Fang | July 2001 | 10.432 | 1,500,000 |
| Feng Gen Sheng | October 2002 | 11.710 | 400,000 |
| Chen Shu Zi | July 2001 | 10.432 | 1,500,000 |
| | October 2002 | 11.710 | 350,000 |
| Shen Wei Jia | September 2002 | 11.710 | 200,000 |
| Wu Jian Zhuang | October 2002 | 11.710 | 200,000 |

The aforesaid options can be exercised at any time during the 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.

Except 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 period or at any time during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, 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") *(note)* | 403,579,000 |
| Shanghai Industrial Investment Treasury Company Limited ("STC") *(note)* | 398,618,000 |
| Shanghai Investment Holdings Limited ("SIH") *(note)* | 398,618,000 |
| Shanghai Industrial Holdings Limited ("SIHL") *(note)* | 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 4,537,000 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 31st March 2003, 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 pharmaceutical and medical related operation, retail network operation and garments 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 Research Co., Ltd. ("SIUPR"), 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. SIUPR 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 31st March 2003, 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 Mr. Li Ka Cheung, Eric, Mr. Kwok Chin Kung, Robert and Mr. 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*

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication.*