
USE OF PROCEEDS

Based on the Placing Price of HK\$0.45 per Share (being the mid-point of the stated range of the Placing Price between HK\$0.40 and HK\$0.50 per Placing Share), the net proceeds of the New Issue (on the basis that the Over-allotment Option is not exercised), after deducting related expenses to be borne by the Company, are estimated to amount to about HK\$96 million. It is presently intended that the net proceeds will be applied in the following manner:

- as to about HK\$18 million for the establishment of new production lines in the production facilities of Weiao situated in Chengdu City, Sichuan Province, the PRC;
- as to about HK\$27 million for construction of Phase I of the Chengdu research and development centre in Chengdu City, Sichuan Province, the PRC;
- as to about HK\$9 million for the research and development of the biopharmaceutical and conventional pharmaceutical products;
- as to about HK\$11 million for construction of the GMP standard research and development centre in Melbourne, the State of Victoria, Australia;
- as to about 19 million for the expansion of the Group's distribution network with focus on expanding the existing OTC distribution network in the PRC and reaching out to regional cities and rural areas in the PRC to be applied in the following manner:
 - as to HK\$4 million on the setting up of infrastructure and staff training for the 6 months ending 30th June, 2002;
 - as to HK\$5 million on network setup (for points of sales, local distributors, regional wholesalers and medical specialists), promotion (for points of sales, local distributors and consumers) and market survey for the 6 months ending 31st December, 2002;
 - as to HK\$5 million on staff training, promotion (for points of sales, local distributors and consumers) and market survey for the 6 months ending 30th June, 2003; and
 - as to HK\$5 million on promotion (for points of sales, local distributors and consumers) and market survey for the 6 months ending 31st December, 2003.
- as to the remaining balance of about HK\$12 million as additional general working capital. The Group does not currently have any specific plan for the use of such general working capital. The Directors intend that approximately HK\$7 million of the general working capital may be used as a buffer for the establishment of new production lines in the production facilities of Weiao and the recruitment of more staff.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of about HK\$20.25 million based on a Placing Price of HK\$0.45 per Share (being the mid-point of the stated range of the Placing Price between HK\$0.4 and HK\$0.5 per Placing Share). The Directors intend to allocate the additional net proceeds raised from the Over-allotment Option to the projects and matters set out above on a pro rata basis.

USE OF PROCEEDS

To the extent that the net proceeds of the New Issue are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed on short-term deposits with authorised financial institutions.

In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding and the proceeds of the New Issue to other business plans and/or to new projects and/or hold such funds as short-term deposits so long as the Directors consider it to be in the interest of the Company and shareholders taken as a whole. The Company will make an announcement accordingly if this happens.