

STAR BIO-TECH (HOLDINGS) LIMITED
星光生物科技（控股）有限公司

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2001

INDEPENDENT REVIEW REPORT

德勤・關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中 111號
永安中心 26樓

**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF STAR BIO-TECH (HOLDINGS) LIMITED
星光生物科技（控股）有限公司
(Incorporated in the Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 10.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and, based thereof, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Fundamental uncertainties relating to the going concern basis

In forming our review conclusion, we have considered the adequacy of the disclosure made in note 1 to the condensed consolidated financial statements which explains that the Group has entered into two conditional share subscription agreements ("Agreements") for the subscription of new shares for a total consideration of HK\$45 million. Completion of each of the Agreements is conditional on the fulfilment or waiver of certain conditions as detailed in the press announcements dated 28th February, 2002. Provided that the Agreements can be successfully completed with the parties for the injection of new equity capital, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The condensed consolidated financial statements do not include any adjustments that would result from a failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the condensed consolidated financial statements and our opinion is not qualified in this respect.

STAR BIO-TECH (HOLDINGS) LIMITED

星光生物科技（控股）有限公司

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2001

INDEPENDENT REVIEW REPORT *(Continued)*

Modified review conclusion arising from disagreement about accounting treatment

As explained in note 8 in the condensed consolidated financial statements, under an agreement (“Cooperation Agreement”) with a third party (“Partner”) the Group was required to inject an agreed amount of US\$3,000,000 (equivalent to approximately HK\$23,400,000) into an investee company within the specified period of time (“Period”) in return for a 25% equity interest in that investee company. However, having failed to make the injection within the Period, the Group is subject to a forfeiture of US\$1,000,000 (approximately HK\$7,800,000). The directors have not made any provision for any amount to be forfeited in these financial statements on the basis that the Company is currently in the process of negotiation with the Partner for the extension of the Period. However, in our opinion, a provision of HK\$7,800,000 should have been made in these financial statements to reflect the obligations of the Group under the Cooperation Agreement thereby increasing losses for the six months ended 31st December, 2001 and reducing the net assets as at 31st December, 2001 by that amount.

On the basis of our review which does not constitute an audit, with the exception of the matter described in the preceding paragraph, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2001.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 20th March, 2002