

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2001

**17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY**

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Share of net assets	<u><b>19,110</b></u>	<u>14,713</u>

At December 31, 2001, the Group held 50% of the registered capital of Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong") which is a sino-foreign equity joint venture company established in the PRC to manufacture and sell vitamin B12 products.

**18. LOAN RECEIVABLE**

The loan is unsecured, carries interest at 6.435% per annum and is repayable as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>795</b>	795
Between one to two years	<b>795</b>	795
Between two to five years	<b>2,245</b>	2,385
Over five years	–	655
	<u><b>3,835</b></u>	<u>4,630</u>
Less: Amount receivable within one year shown under current assets	<u><b>(795)</b></u>	<u>(795)</u>
Amount receivable after one year	<u><b>3,040</b></u>	<u>3,835</u>

**19. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Raw materials	<b>41,853</b>	36,751
Work in progress	<b>56,560</b>	51,453
Finished goods	<b>50,518</b>	52,039
	<u><b>148,931</b></u>	<u>140,243</u>

Included in the above are work in progress of HK\$9,095,000 (2000: Nil) and finished goods of HK\$4,749,000 (2000: Nil) which were carried at net realisable value.

**NOTES TO THE FINANCIAL STATEMENTS**

(cont'd)

*For the year ended December 31, 2001*

**20. TRADE AND OTHER RECEIVABLES**

The Group has a policy of allowing a credit period from 90 days to 120 days to its trade customers. An aged analysis of trade receivables is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	<b>163,153</b>	162,975
91 to 180 days	<b>22,656</b>	66,154
181 to 365 days	<b>8,617</b>	45,020
	<hr/>	<hr/>
	<b>194,426</b>	274,149
Other receivables	<b>98,510</b>	71,436
	<hr/>	<hr/>
	<b>292,936</b>	<b>345,585</b>
	<hr/> <hr/>	<hr/> <hr/>

**21. LOAN RECEIVABLES**

The loans are unsecured, carrying interest at 4.7% – 6.435% per annum and are repayable on demand.

**22. TRADE AND OTHER PAYABLES**

An aged analysis of trade payables is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	<b>188,512</b>	72,908
91 to 180 days	<b>28,032</b>	47,108
181 to 365 days	<b>9,238</b>	10,813
More than 365 days	<b>24,123</b>	23,377
	<hr/>	<hr/>
	<b>249,905</b>	154,206
Other payables	<b>105,244</b>	109,962
	<hr/>	<hr/>
	<b>355,149</b>	<b>264,168</b>
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2001

**23. BANK LOANS**

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank loans	<u>469,331</u>	<u>443,286</u>	<u>135,000</u>	<u>106,148</u>
Analysed as:				
Secured	135,000	–	135,000	–
Unsecured	<u>334,331</u>	<u>443,286</u>	<u>–</u>	<u>106,148</u>
	<u>469,331</u>	<u>443,286</u>	<u>135,000</u>	<u>106,148</u>

The bank loans are repayable as follows:

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year or on demand	303,501	311,634	22,491	53,074
Between one to two years	88,948	131,652	44,982	53,074
Between two to five years	<u>76,882</u>	<u>–</u>	<u>67,527</u>	<u>–</u>
	469,331	443,286	135,000	106,148
Less: Amount shown under current liabilities	<u>(303,501)</u>	<u>(311,634)</u>	<u>(22,491)</u>	<u>(53,074)</u>
Amount due after one year	<u>165,830</u>	<u>131,652</u>	<u>112,509</u>	<u>53,074</u>

**24. SUBORDINATED LOAN FROM ULTIMATE HOLDING COMPANY**

The loan was unsecured and interest-free. Repayment of the loan was subordinated to a bank loan. As the bank loan was fully repaid during the year, an amount of HK\$15,750,000 of the subordinated loan was also repaid and the balance of HK\$31,500,000 was disposed as part of the disposal of the subsidiaries as set out in note 32.

**25. LOAN FROM ULTIMATE HOLDING COMPANY**

The loan is unsecured, carries interest at commercial rate and repayable in one lump sum in May 2006.

*For the year ended December 31, 2001*

**26. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Value HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At January 1, 2000, December 31, 2000 and December 31, 2001	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
– balance at January 1, 2000	1,240,407,879	124,041
– exercise of warrants (note 27)	39,400	4
	<u>1,240,447,279</u>	<u>124,045</u>
At December 31, 2000 and December 31, 2001	<u>1,240,447,279</u>	<u>124,045</u>

**27. WARRANTS**

In accordance with the conditions attaching to the Company's warrants which were issued in 1999, the rights to subscribe for new shares in the Company expired on October 20, 2001. During the year and prior to their expiration, no warrantholders exercised their warrants.

During the year ended December 31, 2000, a total of 39,400 warrants were exercised by a warrantholder to subscribe for 39,400 ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$1.80 per share.

**28. SHARE OPTIONS**

At December 31, 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

<b>Exercisable period</b>	<b>Exercise price per share HK\$</b>	<b>Number of share option at 12.31.2001</b>
8.20.2000 to 8.19.2003	0.67	30,000,000
9.28.2000 to 9.27.2003	0.62	20,000,000
2.16.2002 to 5.26.2004	0.61	44,784,000
		<u>94,784,000</u>

No option was exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2001

29. RESERVES

	Share premium <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Non- distributable reserves <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>						
At January 1, 2000						
– as originally stated	836,225	(169,047)	2,883	30,767	274,621	975,449
– prior year adjustment (note 2)	–	–	–	–	40,933	40,933
– as restated	836,225	(169,047)	2,883	30,767	315,554	1,016,382
Premium arising on exercise of warrants	67	–	–	–	–	67
Goodwill of an associate	–	(2,032)	–	–	–	(2,032)
Goodwill realised on dissolution of a subsidiary	–	408	–	–	–	408
Transfers, net of minority interests' share	–	–	–	33,788	(33,788)	–
Profit attributable to shareholders	–	–	–	–	80,473	80,473
Dividend (note 9)	–	–	–	–	(40,933)	(40,933)
At December 31, 2000	836,292	(170,671)	2,883	64,555	321,306	1,054,365
Impairment of goodwill of an associate	–	2,032	–	–	–	2,032
Goodwill/reserve realised on disposal of subsidiaries	–	1,385	(191)	–	–	1,194
Share of non-distributable reserves of jointly controlled entity	–	–	–	3,505	(3,505)	–
Transfers, net of minority interests' share	–	–	–	24,876	(24,876)	–
Profit attributable to shareholders	–	–	–	–	140,006	140,006
At December 31, 2001	<u>836,292</u>	<u>(167,254)</u>	<u>2,692</u>	<u>92,936</u>	<u>432,931</u>	<u>1,197,597</u>
Reserves attributable to:						
– Company and subsidiaries	836,292	(160,130)	2,585	89,431	418,908	1,187,086
– Associate	–	–	–	–	(290)	(290)
– Jointly controlled entity	–	(7,124)	107	3,505	14,313	10,801
	<u>836,292</u>	<u>(167,254)</u>	<u>2,692</u>	<u>92,936</u>	<u>432,931</u>	<u>1,197,597</u>

**NOTES TO THE FINANCIAL STATEMENTS**

(cont'd)

For the year ended December 31, 2001

**29. RESERVES – continued**

	Share premium <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Non- distributable reserves <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>						
At January 1, 2000						
– as originally stated	836,225	–	–	–	834	837,059
– prior year adjustment (note 2)	–	–	–	–	40,933	40,933
– as restated	836,225	–	–	–	41,767	877,992
Premium arising on exercise of warrants	67	–	–	–	–	67
Profit attributable to shareholders	–	–	–	–	2,986	2,986
Dividend (note 9)	–	–	–	–	(40,933)	(40,933)
At December 31, 2000	836,292	–	–	–	3,820	840,112
Profit attributable to shareholders	–	–	–	–	61,974	61,974
At December 31, 2001	836,292	–	–	–	65,794	902,086

The non-distributable reserves represent statutory reserves appropriated from the profit after taxation of the Company's PRC subsidiaries and jointly controlled entity under the PRC laws and regulations.

The Company's reserves available for distribution to shareholders as at December 31, 2001 represent its accumulated profits of HK\$65,794,000 (2000: HK\$3,820,000).

**30. UNRECOGNISED DEFERRED TAXATION**

At the balance sheet date, deferred tax asset (liability) unrecognized (unprovided) are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Taxation effect of timing differences arising as a result of:				
Tax losses available to set off against future assessable profits	4,553	889	3,764	493
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(113)	(165)	(101)	(154)
	<u>4,440</u>	<u>724</u>	<u>3,663</u>	<u>339</u>

**NOTES TO THE FINANCIAL STATEMENTS**

(cont'd)

*For the year ended December 31, 2001*

**30. UNRECOGNISED DEFERRED TAXATION – continued**

The amounts of unrecognised (unprovided) deferred tax credit (charge) for the year are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax losses available to set off against future assessable profits	<b>3,664</b>	(38)	<b>3,271</b>	–
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	<b>52</b>	(111)	<b>53</b>	(101)
	<u><b>3,716</b></u>	<u>(149)</u>	<u><b>3,324</b></u>	<u>(101)</u>

The deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

**31. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<b>170,900</b>	102,285
Share of loss of an associate	–	290
Share of profit of a jointly controlled entity	<b>(5,183)</b>	(3,779)
Loss on dissolution of a subsidiary	–	1,081
Gain on disposal of subsidiaries	<b>(4,051)</b>	–
Impairment loss on property, plant and equipment	<b>3,543</b>	17,250
Written off of deposit paid for acquisition of property, plant and equipment	<b>1,548</b>	–
Impairment of goodwill of an associate	<b>2,032</b>	–
Allowance for doubtful debts	<b>9,600</b>	12,030
Interest expenses	<b>24,627</b>	29,843
Interest income	<b>(2,138)</b>	(6,635)
Depreciation and amortisation	<b>88,715</b>	82,348
Amortisation of intangible assets	<b>15,255</b>	13,250
Loss on disposal of property, plant and equipment	<b>3,596</b>	25
Decrease in refundable input value-added tax recoverable	–	1,216
Increase in inventories	<b>(18,883)</b>	(15,219)
Decrease (increase) in trade and other receivables	<b>35,528</b>	(23,552)
Increase in note receivables	<b>(109,198)</b>	(36,833)
Increase in trade receivables due from related companies	<b>(31,856)</b>	(7,588)
Decrease in amount due from a jointly controlled entity	<b>4,334</b>	–
Increase (decrease) in trade and other payables	<b>104,670</b>	(43,740)
Decrease in amount due to a jointly controlled entity	–	(1,129)
Net cash inflow from operating activities	<u><b>293,039</b></u>	<u>121,143</u>

**NOTES TO THE FINANCIAL STATEMENTS**

(cont'd)

*For the year ended December 31, 2001*

**32. DISPOSAL OF SUBSIDIARIES**

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net assets disposed:		
Property, plant and equipment	70,335	–
Inventories	10,195	–
Trade and other receivables	7,521	–
Bank balances and cash	4,777	–
Trade and other payables	(12,894)	–
Subordinated loan from ultimate holding company	(31,500)	–
Bank borrowings – due within one year	(37,418)	–
Minority interests	(120)	–
	<hr/>	<hr/>
	10,896	–
Goodwill realised on disposal	1,385	–
Translation reserve realised on disposal	(191)	–
Gain on disposal of subsidiaries	4,051	–
	<hr/>	<hr/>
	<b>16,141</b>	–
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration	<b>16,141</b>	–
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cash consideration received	16,141	–
Bank balances and cash disposed of	(4,777)	–
	<hr/>	<hr/>
	<b>11,364</b>	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the year did not contribute significantly to the Group's cash flow and operating results.



**NOTES TO THE FINANCIAL STATEMENTS**

(cont'd)

For the year ended December 31, 2001

**33. DISSOLUTION OF A SUBSIDIARY**

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net assets of subsidiary at dissolution:		
Trade and other receivables	–	1,171
Bank balances and cash	–	1,405
Other payables	–	(1,903)
	<hr/>	<hr/>
	–	673
Goodwill realised on dissolution of a subsidiary	–	408
Loss on dissolution of a subsidiary	–	(1,081)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>
The cash outflow arising from dissolution of a subsidiary	–	(1,405)

The subsidiary which was dissolved during the year ended December 31, 2000 did not have any significant impact on the Group's cash flows and operating results.

**34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Share capital	Share premium	Bank loans	Subordinated loan from ultimate holding company	Loan from ultimate holding company	Minority interests
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At January 1, 2000	124,041	836,225	431,636	47,250	–	7,245
Exercise of warrants	4	67	–	–	–	–
New bank loans raised	–	–	400,281	–	–	–
Repayment of bank loans	–	–	(388,631)	–	–	–
Capital contributed by minority shareholders	–	–	–	–	–	1,935
Share of profits by minority shareholders	–	–	–	–	–	448
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	(578)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2000	124,045	836,292	443,286	47,250	–	9,050
New bank loans raised	–	–	493,653	–	–	–
Borrowings raised	–	–	–	–	100,992	–
Repayment of bank and other loans	–	–	(430,190)	(15,750)	(46,774)	–
Share of profits by minority shareholders	–	–	–	–	–	1,579
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	(917)
Disposal of subsidiaries	–	–	(37,418)	(31,500)	–	(120)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2001	<u>124,045</u>	<u>836,292</u>	<u>469,331</u>	<u>–</u>	<u>54,218</u>	<u>9,592</u>

For the year ended December 31, 2001

**35. MAJOR NON-CASH TRANSACTION**

During the year, a dividend receivable of approximately HK\$4,911,000 from the Company's jointly controlled entity was capitalised as additional investment in that jointly controlled entity.

**36. OPERATING LEASE COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating lease during the year in respect of land and buildings	<u>6,178</u>	<u>6,276</u>

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>		
– within one year	5,995	5,413
– in the second to fifth year inclusive	1,998	1,943
	<u>7,993</u>	<u>7,356</u>
<b>THE COMPANY</b>		
– within one year	1,310	728
– in the second to fifth year inclusive	764	–
	<u>2,074</u>	<u>728</u>

Significant portion of future minimum lease payments fall due within one year as the major lease entered into by the Group can be terminated by giving twelve months notice to the landlord.

**37. CAPITAL COMMITMENTS**

At the balance sheet date, the Group had the following capital commitments:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>108,914</u>	<u>53,739</u>

The Company had no capital commitment at the balance sheet date.

**38. CONTINGENT LIABILITIES**

At December 31, 2001, the Company had given a corporate guarantee of HK\$23,220,000 (2000: HK\$23,220,000) to a bank to secure general banking facilities granted to a subsidiary of the Company.

**39. EMPLOYEE RETIREMENT BENEFITS SCHEMES**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government.

The relevant subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 20% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. During the year, the contributions made by the PRC subsidiaries relating to the arrangement were approximately HK\$13,646,000 (2000: HK\$9,284,000).

**40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with these companies during the year, and balances with them at the balance sheet date, are as follows:

**(I) CONNECTED PARTIES**

Name of company	Nature of transactions/ balances	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
SPG Group	Sale of finished goods (note a)	162,532	153,980
	Purchase of raw materials (note a)	24,656	40
	Service charges payable relating to administrative, selling, utility, energy, community, land use rights and other supporting services and facilities (note b)	5,026	7,142
	Management fee income (note c)	102	184
	Commission income (note d)	-	211

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

For the year ended December 31, 2001

40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES – continued

(I) CONNECTED PARTIES – continued

Name of company	Nature of transactions/ balances	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
SPG Group	Interest expenses on loan from ultimate holding company (note e)	1,288	–
	Interest expenses on non-trade payables (note f)	–	60
	Proceeds from disposal of buildings to the SPG Group (note g)	1,554	–
	Guarantee given by SPG Group (note h)	150,000	95,416
	Balance due from (to) the SPG Group at December 31		
	– trade receivables	146,989	115,133
	– subordinated loan (note i)	–	(47,250)
	– long term loan (note e)	(54,218)	–
Minority shareholder of a subsidiary	Consultancy fee paid (note j)	–	1,936

(II) RELATED PARTIES, OTHER THAN CONNECTED PARTIES

Name of company	Nature of transactions/ balances	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
Huarong, a jointly controlled entity of the Group	Purchase of raw materials (note a)	31,326	19,254
	Dividend income (note k)	4,911	2,747
	Balance due from (to) Huarong at December 31		
	– dividend receivable	–	2,747
	– non-trade receivable (note l)	5,401	5,117
	– trade payable	<u>(4,868)</u>	<u>(2,997)</u>

For the year ended December 31, 2001

Notes:

- (a) The transactions were carried out with reference to market prices.
- (b) Pursuant to service agreements entered into by the Group and the SPG Group, the Group paid service charges to the SPG Group based on the nature and the actual amount incurred on services provided by the SPG Group to the Group.
- (c) Pursuant to service agreements entered into by the Group and the SPG Group, SPG Group paid management fee to the Group based on 2% of the actual energy cost incurred as handling charges.
- (d) The transactions were carried out at a range of 0.75% to 12% charged on turnover.
- (e) The SPG Group made a long term loan advance to a subsidiary of the Group during the year. The loan carried interest at bank borrowing rate as quoted by the People's Bank of China.
- (f) The SPG Group made non-trade advances to the Group during the year ended December 31, 2000 which were fully settled in the same year. These advances carried interest at 7% per annum.
- (g) On December 27, 2001, a wholly-owned subsidiary of the Company, Vitam Pharmaceutical (Shijiazhuang) Co., Ltd., entered into a Sale and Purchase Agreement with SPG, for the disposal of certain factory buildings at Zhong Shan Xi Road, Shijiazhuang, Hebei Province, the PRC. The consideration for the disposal was RMB1,649,000 (equivalent to approximately HK\$1,554,000) which was equivalent to the value of these disposed buildings as valued at December 21, 2001 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis.
- (h) During the year, the SPG Group has given corporate guarantee of HK\$150,000,000 to a bank to secure a bank loan granted to the Company.  
  
During the year ended December 31, 2000, the SPG Group had given corporate guarantee of HK\$95,416,000 to banks to secure bank loans granted to a subsidiary of the Group.
- (i) The loan was unsecured and interest-free. Repayment of the loan was subordinated to a bank loan. As the bank loan was fully repaid during the year, an amount of HK\$15,750,000 of the subordinated loan was also repaid and the balance of HK\$31,500,000 was disposed as part of the disposal of the subsidiaries as set out in note 32.
- (j) The transaction was carried out in accordance with the joint venture agreement entered into by the Group and the minority shareholder of a subsidiary.
- (k) Dividend receivable from the jointly controlled entity was capitalised by the Group as additional investment in the jointly controlled entity.
- (l) The amount is unsecured, interest-free and repayable on demand.

In addition, a new waiver was granted by the Stock Exchange on February 6, 2002 in respect of certain ongoing connected transactions between the Group and the SPG Group. Further details are set out in note 42.

For the year ended December 31, 2001

**41. PARTICULARS OF SUBSIDIARIES**

Particulars of subsidiaries at December 31, 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of nominal value of issued share capital held by the Company		Principal activity
			Directly %	Indirectly %	
China Antibiotic Pharmaceutical Corporation Limited	Cayman Islands	US\$12,000	100	–	Inactive
China Nutraceuticals Limited	Hong Kong	HK\$1,000	–	80	Manufacture and sale of nutraceutical products
Golden Wing Limited	Hong Kong	HK\$3	100	–	Trading of pharmaceutical products
Hebei Zhonghe Pharmaceutical Co., Ltd.	PRC	RMB76,000,000	99	–	Manufacture and sale of pharmaceutical products
Hebei Fenghua Pharmaceutical Co., Ltd.	PRC	US\$3,000,000	99	–	Manufacture and sale of pharmaceutical products
Hebei Zhongkang Pharmaceutical Co., Ltd.	PRC	RMB180,000,000	26	73	Manufacture and sale of pharmaceutical products
Hebei Zhongrun Pharmaceutical Co., Ltd.	PRC	RMB97,880,000	99	–	Manufacture and sale of pharmaceutical products
M2b.com.hk Limited	British Virgin Islands	US\$2,500,000	–	90	Inactive
Netcom Resources Limited	British Virgin Islands	US\$1,000	100	–	Investment holding
Shijiazhuang Jiali Pharmaceutical Co., Ltd.	PRC	RMB20,000,000	99	–	Manufacture and sale of pharmaceutical products
Tin Lon Investment Limited	Hong Kong	HK\$2	100	–	Investment holding
Unity Pacific Limited	British Virgin Islands	US\$1	100	–	Investment holding

For the year ended December 31, 2001

**41. PARTICULARS OF SUBSIDIARIES – continued**

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of nominal value of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Vitam Pharmaceutical (Shijiazhuang) Co., Ltd.	PRC	US\$5,270,000	100	–	Inactive
Weisheng Pharmaceutical (Shijiazhuang) Co., Ltd.	PRC	US\$14,899,000	100	–	Manufacture and sale of pharmaceutical products
Zhongxing Pharmaceutical (Shijiazhuang) Co., Ltd.	PRC	RMB96,000,000	100	–	Manufacture and sale of pharmaceutical products

None of the subsidiaries had any debt capital outstanding at the end of the year or at any time during the year.

**42. POST BALANCE SHEET EVENT**

On February 26, 2002, a new waiver was granted by the Stock Exchange in respect of the ongoing connected transactions between certain members of the Group and the SPG Group. The new waiver was to replace the existing waiver which was previously granted by the Stock Exchange on July 29, 1999.

Details of these ongoing connected transactions were disclosed in the Company's circular to shareholders dated February 6, 2002, and were approved by shareholders in an extraordinary general meeting held on February 26, 2002.