

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development, manufacturing and sale of biopharmaceutical products and general trading.

RESULTS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 21.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Company recognised impairment losses on leasehold land and building amounting to approximately HK\$7,513,000 and on plant and machinery amounting to approximately HK\$2,546,000.

Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group disposed of an investment property located in Hong Kong for a consideration of HK\$10,600,000 which was equal to the carrying value of this property at the date of disposal. The remaining investment property of the Group was revalued on an open market value basis as at 31 December 2001. There was no surplus or deficit arising on the revaluation as at 31 December 2001.

Details of the movements in investment properties during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 26 to the financial statements.

SHARE OPTIONS

The Company's share option scheme was adopted at a special general meeting of the Company held on 3 January 1997 (the "Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher. The Share Option Scheme will expire on 2 January 2007.

SHARE OPTIONS (cont'd)

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Share Option Scheme. Each eligible employee has a choice to accept the share options granted within 21 days from date of grant and no consideration is payable upon acceptance of the share options.

Details of specific categories of options granted under the Share Option Scheme are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$
19 April 2000	19 April 2000 to 18 April 2003	0.24000
2 June 2000	2 June 2000 to 1 June 2003	0.06848
5 June 2001	5 June 2001 to 4 June 2004	0.19600

A summary of the movements in share options during the year is as follows:

	Date of grant	Number of share options		
		Outstanding at beginning of the year	Granted during the year	Outstanding at end of the year
Category: Directors				
Mr. Shan Shiyong	2 June 2000	21,800,000	–	21,800,000
Mr. Jay Chun	2 June 2000	21,800,000	–	21,800,000
Mr. Wang Xi Gang	2 June 2000	21,800,000	–	21,800,000
Total Directors		65,400,000	–	65,400,000
Category: Employees				
	19 April 2000	1,500,000	–	1,500,000
	5 June 2001	–	2,500,000	2,500,000
Total Employees		1,500,000	2,500,000	4,000,000
Total all categories		66,900,000	2,500,000	69,400,000

There were no options exercised, cancelled or lapsed during the year.

SHARE OPTIONS (cont'd)

The fair value of the options granted on 5 June 2001 measured on the same date amounted to approximately HK\$399,500. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

- 1) an expected volatility of 37.85%, based on historical volatility;
- 2) no annual dividends, based on historical dividends; and
- 3) the estimated expected life of the options granted during the year is three years. The corresponding three-year Hong Kong Exchange Fund Notes rate at the date of the options were granted was 4.97% and based on the estimated expected life indicated.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The closing price of the Company's shares immediately before 5 June 2001, the date of grant, was HK\$0.31 per share.

No charge is recognised in the consolidated income statement in respect of the value of options granted during the year.

At the date of the directors' report, the total number of shares available for issue under the Share Option Scheme is 72,194,594, representing 5.10% of the shares of the Company in issue at that date.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Shan Shiyong, Chairman

(alias, Mr. Sin Sai Yung)

Mr. Jay Chun, Managing Director

(alternate director to Mr. Shan Shiyong and
Mr. Wang Xi Gang)

Mr. Wang Xi Gang

Mr. Cai Ming Xi

(resigned on 26 September 2001)

Independent non-executive directors:

Mr. Frank Hu

Dr. Ma Yin Ming

(appointed on 7 September 2001)

Mr. Chow Man Chung

(resigned on 7 September 2001)

In accordance with Clause 86 of the Company's Bye-laws, Dr. Ma Yiu Ming retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The director being proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR'S INTERESTS IN SHARES

At 31 December 2001, the interests of a director in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held	
	Personal interests	Corporate interests
Mr. Shan Shiyong	Nil	226,804,000 (note)

DIRECTOR'S INTERESTS IN SHARES (cont'd)

Note:

The balance represents 2,844,000 shares and 223,960,000 shares owned by Great Smart Limited and Best Top Offshore Limited respectively. The issued share capital of Great Smart Limited is owned as to 50% by Mr. Shan Shiyong whereas Best Top Offshore Limited is wholly owned by Mr. Shan Shiyong.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors of the Company in trust for the Group, at 31 December 2001, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed under the heading "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Director's Interests in Shares" above and Metro Worldwide Inc. which held 149,835,946 shares representing 10.58% of the issued share capital of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31 December 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 69% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 49% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 97% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 95% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Scheme disclosed under the heading "Share Options" above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2001 and there has been no exercise of any convertible securities, options, warrants or similar rights during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

SHAN SHIYONG

Chairman

Hong Kong, 24 April 2002