


Directors' Report



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 2002.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 24.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTY

The investment property of the Group was revalued on an open market value basis as at 31 December 2002 as set out in note 14 to the financial statements. There was no surplus or deficit arising on the revaluation as at 31 December 2002.

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

On 15 July 2002, the Company terminated the share option scheme of the Company adopted on 3 January 1997 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") as a result of the changes in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in relation to share option scheme.



Particulars of the Old Share Option Scheme and the New Share Option Scheme are set out in note 27 to the financial statements.



Directors' Report

Details of specific categories of options granted under the Old 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
7 May 2002	7 May 2002 to 6 May 2005	0.14460
8 May 2002	8 May 2002 to 7 May 2005	0.14580

A summary of the movements in share options granted under the Old Share Option Scheme during the year is as follows:

	Date of grant	Number of share options			Outstanding at end of the year
		Outstanding at beginning of the year	Granted during the year	Exercise during 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	-	(21,800,000)	43,600,000
Category: Employees					
	19 April 2000	1,500,000	-	-	1,500,000
	5 June 2001	2,500,000	-	-	2,500,000
	7 May 2002	-	5,000,000	-	5,000,000
	8 May 2002	-	2,500,000	-	2,500,000
Total Employees		4,000,000	7,500,000	-	11,500,000
Total all categories		69,400,000	7,500,000	(21,800,000)	55,100,000

Directors' Report

The fair value of the options granted on 7 May 2002 and 8 May 2002 measured on the same date amounted to approximately HK\$388,500 and HK\$301,500 respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

	7 May 2002	8 May 2002
1) Expected volatility based on historical volatility of share prices	36.39%	57.12%
2) Expected annual dividend yield, based on historical dividends	–	–
3) Expected life of options	3 years	3 years
4) Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	4.31%	4.31%

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 7 May 2002 and 8 May 2002, the dates on which options were granted during the year, were HK\$0.183 and 0.189 per share respectively.

The closing price of the Company's shares immediately before the date on which the 21,800,000 share options were exercised was HK\$0.355 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 Old Share Option Scheme and the New Share Option Scheme are as follows:

	Total number of shares available for issue	Percentage to the shares of the Company at the date of directors' report
Old Share Option Scheme	55,100,000	3.2%
New Share Option Scheme	171,774,594	10.0%

Directors' Report



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. Jay Chun, Chairman and Managing Director (alternate director to Mr. Shan Shiyong and Mr. Wang Xi Gang)

Mr. Shan Shiyong (alias, Mr. Sin Sai Yung)

Mr. Wang Xi Gang

Independent non-executive directors:

Mr. Frank Hu

Dr. Ma Yin Ming

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

The directors 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.



Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors and their associates 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. Jay Chun	29,092,000	205,660,000 (note 1)
Mr. Shan Shiyong	–	235,460,000 (note 2)

Notes:

1. These shares are owned by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.
2. These shares are owned by Best Top Offshore Limited, a company which 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 2002, 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 schemes 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 "Directors' Interests in Shares" above, 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 2002.

Directors' Report



MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 49% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 28% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 51% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 25% 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 schemes disclosed under the heading "Share Options" above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2002 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 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.



Directors' Report

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

Jay Chun

Chairman

Hong Kong, 24 April 2003

