

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its subsidiaries and an associate are set out in notes 36 and 37 respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and the inclusion of the statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies, but has had no significant impact on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements denominated in currencies other than Hong Kong dollars at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid, interest received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Turnover

Turnover represents the amounts received and receivable for goods sold to outside customers during the year.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Service income is recognised when services are rendered.

Rental income is recognised on a straight line basis over the period of the leases.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than buildings under construction are stated at cost less accumulated depreciation, amortisation and impairment losses.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Depreciation or amortisation is provided to write off the cost of items of property, plant and equipment other than buildings under construction over their estimated useful lives and after taking into account their estimated residual value, where appropriate, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining terms of the leases
Buildings	2 – 5%
Plant and machinery	10 – 15%
Furniture, fixtures and office equipment	15 – 20%
Motor vehicles	20%

Buildings under construction are carried at cost less impairment losses. Depreciation is not provided until the construction work is completed and the buildings are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the terms of the leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the consolidated income statement. Where a deficit has previously been charged to the consolidated income statement and a revaluation surplus subsequently arises, this surplus is credited to the consolidated income statement to the extent of the deficit previously charged.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

On subsequent disposal of an investment property, any revaluation surplus attributable to that property is included in the determination of the gain or loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired term, including the renewable period, of more than twenty years.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisition of subsidiaries prior to 1 January 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition of subsidiaries after 1 January 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

Goodwill arising on acquisition of associates continues to be capitalised and amortised on a straight line basis over its useful economic life and is included in the carrying amount of the associate.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of subsidiaries prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisition of subsidiaries after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Patents

Costs incurred in the acquisition of patents are capitalised and amortised on a straight line basis over their useful economic lives.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of the net assets of the associate plus the premium paid on acquisition in so far as it has not already been written off, less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding principal portions of the commitments are shown as obligations of the Group. The finance costs, which represent the difference between the total commitments and the original principal at the inception of the respective leases, are charged to the income statement using the actuarial method over the period of the respective leases.

All other leases are classified as operating leases and the rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the consolidated income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. All exchange differences arising on consolidation are classified as equity and transferred to translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits scheme

The retirement benefit costs charged in the consolidated income statement represent the contribution payable in respect of the current year to the Group's retirement benefits schemes.

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION

Business segments

The Group's business activities are currently conducted through two operating divisions - Biopharmaceuticals Division and Trading Division. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Biopharmaceuticals Division – research, development, manufacturing and sale of biopharmaceutical products

Trading Division – trading of general goods

Segment information about these businesses is presented below:

For the year ended 31 December 2002

	Biopharmaceuticals Division	Trading Division	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Revenue			
External sales	<u>30,979</u>	<u>30</u>	<u>31,009</u>
Result			
Segment result	<u>(682)</u>	<u>(1,921)</u>	(2,603)
Other operating income			943
Loss on disposal of property, plant and equipment			(25)
Write back of other payables			11,700
Unallocated corporate expenses			<u>(24,614)</u>
Loss from operations			(14,599)
Finance costs			(2,096)
Gain on disposal of subsidiaries			32
Share of loss of an associate			<u>(1,444)</u>
Loss before taxation			(18,107)
Taxation			<u>–</u>
Loss before minority interests			(18,107)
Minority interests			<u>(5,211)</u>
Loss for the year			<u><u>(23,318)</u></u>

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (continued)

Business segments (continued)

At 31 December 2002

Balance sheet

	Biopharmaceuticals Division	Trading Division	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Assets			
Segment assets	98,682	1,158	99,840
Interest in an associate			6,726
Unallocated corporate assets			44,729
Consolidated total assets			151,295
Liabilities			
Segment liabilities	12,937	687	13,624
Unallocated corporate liabilities			18,804
Consolidated total liabilities			32,428

For the year ended 31 December 2002

Other information

	Biopharmaceuticals Division	Trading Division	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	17,201	15	12	17,228
Goodwill	2,219	–	–	2,219
Depreciation and amortisation of property, plant and equipment	5,054	134	942	6,130
Amortisation of goodwill	444	–	–	444
Amortisation of patent	1,643	–	–	1,643
Allowance for doubtful debts	–	–	3,810	3,810
Allowance for inventories	148	478	–	626

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 December 2001

	Biopharmaceuticals Division	Trading Division	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Revenue			
External sales	<u>11,327</u>	<u>10,991</u>	<u>22,318</u>
Result			
Segment result	<u>(8,111)</u>	<u>(2,180)</u>	(10,291)
Other operating income			1,761
Impairment losses recognised in respect of property, plant and equipment			(10,059)
Loss on disposal of an investment property			(142)
Loss on disposal of property, plant and equipment			(1,196)
Unrealised loss on revaluation of investments in securities			(900)
Unallocated corporate expenses			<u>(21,409)</u>
Loss from operations			(42,236)
Finance costs			(3,416)
Gain on disposal of a subsidiary			625
Amortisation of premium on acquisition of an associate			(7,000)
Gain on dilution of interest in an associate			1,381
Impairment loss recognised in respect of premium on acquisition of an associate			(11,619)
Share of loss of an associate			<u>(439)</u>
Loss before taxation			(62,704)
Taxation			<u>–</u>
Loss before minority interests			(62,704)
Minority interests			<u>5,446</u>
Loss for the year			<u>(57,258)</u>

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (continued)

Business segments (continued)

At 31 December 2001

Balance sheet

	Biopharmaceuticals Division	Trading Division	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Assets			
Segment assets	53,243	13,994	67,237
Interest in an associate			6,950
Unallocated corporate assets			45,229
Consolidated total assets			119,416
Liabilities			
Segment liabilities	28,577	1,526	30,103
Unallocated corporate liabilities			34,845
Consolidated total liabilities			64,948

For the year ended 31 December 2001

Other information

	Biopharmaceuticals Division	Trading Division	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	869	–	480	1,349
Depreciation and amortisation of property, plant and equipment	5,141	764	1,169	7,074
Amortisation of patent	708	–	–	708
Allowance for doubtful debts	1,544	–	–	1,544
Allowance for inventories	–	95	–	95

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's operations of Biopharmaceuticals Division is carried out in the PRC whereas the Group's Trading Division is carried out both in Hong Kong and in the PRC.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	Year ended 31.12.2002 HK\$'000	Year ended 31.12.2001 HK\$'000
PRC	30,994	11,427
Hong Kong	15	10,891
	31,009	22,318

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to goodwill	
	At 31.12.2002 HK\$'000	At 31.12.2001 HK\$'000	Year ended 31.12.2002 HK\$'000	Year ended 31.12.2001 HK\$'000	Year ended 31.12.2002 HK\$'000	Year ended 31.12.2001 HK\$'000
PRC	119,952	69,116	17,216	869	2,219	-
Hong Kong	31,343	50,300	12	480	-	-
	151,295	119,416	17,228	1,349	2,219	-

Notes to the Financial Statements

For the year ended 31 December 2002

5. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Compensation receivable from The Government of the Hong Kong Special Administrative Region for resuming occupation of industrial properties	-	1,364
Gain on disposals of investments in securities	16	-
Interest income	206	73
Management fee income	261	240
Rental income	30	30
Sundry	430	54
	<hr/>	<hr/>
	943	1,761
	<hr/> <hr/>	<hr/> <hr/>

6. WRITE BACK OF OTHER PAYABLES

Included in creditors and accrued charges of the Group as at 31 December 2001 was an aggregate amount of approximately HK\$11,700,000 recorded by a subsidiary of the Company established in the PRC. This amount was payable to several independent parties and had been brought forward since the acquisition of the subsidiary by the Group during the year ended 31 December 2000. The Group has been unable to contact these parties to clarify the nature of the payables and, on the other hand, these parties had not demanded repayment of the amount by whatever means for more than two years. Pursuant to a legal opinion obtained by the directors from a firm of PRC lawyers, these independent parties have lost the civil right under PRC law to claim against the subsidiary for the aggregate amount and, accordingly, the amount of HK\$11,700,000 was written back to the consolidated income statement during the year.

7. ALLOWANCE FOR DOUBTFUL DEBTS

	2002 HK\$'000	2001 HK\$'000
Allowance for doubtful debts are analysed as follows:		
Allowance for amount due from an associate	1,000	-
Allowance for trade debtors	-	1,544
Allowance for other debtors	2,810	-
	<hr/>	<hr/>
	3,810	1,544
Recovery from trade debtors	(696)	-
	<hr/>	<hr/>
	3,114	1,544
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2002

8. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of patent (included in administrative expenses)	1,643	708
Amortisation of goodwill (included in administrative expenses)	444	–
Auditors' remuneration	806	789
Depreciation and amortisation		
– owned assets	5,871	6,815
– assets held under finance leases	259	259
Loss on disposal of property, plant and equipment	25	1,196
Loss on disposal of an investment property	–	142
Unrealised loss on revaluation of investments in securities	–	900
Operating lease rentals paid in respect of rented premises (note)	2,376	2,140
Research and development expenditure	409	495
Staff cost		
– Directors' remuneration (note 9)	6,396	6,340
– Other staff		
– Salaries and allowances	7,814	5,577
– Retirement benefit scheme contribution	584	330
	14,794	12,247

Note: The amount excludes the accommodation benefits provided to a director amounting to HK\$624,000 (2001: HK\$572,000) as set out in note 9.

Notes to the Financial Statements

For the year ended 31 December 2002

9. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Fees paid to:		
Executive directors	-	-
Independent non-executive directors	240	240
	240	240
Other emoluments paid to executive directors:		
Salaries and other benefits	5,520	5,519
Accommodation benefits	624	572
Retirement benefit scheme contribution	12	9
	6,156	6,100
Total directors' remuneration	6,396	6,340

The remuneration of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	2	4
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	2

Notes to the Financial Statements

For the year ended 31 December 2002

9. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES (continued)

Highest paid employees

The five highest paid employees of the Group included three directors (2001: four directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid employees of the Group, other than directors, were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,915	1,200
Retirement benefit scheme contributions	24	12
	1,939	1,212

Their emoluments were within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	1

Notes to the Financial Statements

For the year ended 31 December 2002

10. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank and other borrowings:		
– wholly repayable within five years	1,857	2,236
– not wholly repayable within five years	33	728
Interest on other loan	130	336
Finance charges on finance leases	76	116
	<hr/> 2,096 <hr/>	<hr/> 3,416 <hr/>

11. TAXATION

No provision for taxation has been made in the financial statements as the Group incurred losses in both years.

No provision for deferred taxation has been made in the financial statements as the amounts involved are insignificant.

12. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK\$23,318,000 (2001: HK\$57,258,000) and on the weighted average number of 1,606,102,658 (2001: 1,177,200,740) shares in issue during the year.

As the exercise of the Company's outstanding share options would be anti-dilutive, no diluted loss per share was presented in either year.

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Buildings under construction	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST						
At 1 January 2002	34,511	13,875	24,102	2,932	1,721	77,141
Additions	9,635	–	6,581	283	729	17,228
Disposals	–	–	(88)	–	–	(88)
Disposal of subsidiaries	(16,500)	–	–	–	–	(16,500)
Transfer on completion	13,875	(13,875)	–	–	–	–
At 31 December 2002	<u>41,521</u>	<u>–</u>	<u>30,595</u>	<u>3,215</u>	<u>2,450</u>	<u>77,781</u>
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES						
At 1 January 2002	10,169	–	8,610	851	700	20,330
Provided for the year	487	–	4,810	463	370	6,130
Eliminated on disposals	–	–	(51)	–	–	(51)
Eliminated on disposal of subsidiaries	(2,091)	–	–	–	–	(2,091)
At 31 December 2002	<u>8,565</u>	<u>–</u>	<u>13,369</u>	<u>1,314</u>	<u>1,070</u>	<u>24,318</u>
NET BOOK VALUES						
At 31 December 2002	<u><u>32,956</u></u>	<u><u>–</u></u>	<u><u>17,226</u></u>	<u><u>1,901</u></u>	<u><u>1,380</u></u>	<u><u>53,463</u></u>
At 31 December 2001	<u><u>24,342</u></u>	<u><u>13,875</u></u>	<u><u>15,492</u></u>	<u><u>2,081</u></u>	<u><u>1,021</u></u>	<u><u>56,811</u></u>

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	2002 HK\$'000	2001 HK\$'000
The net book value of the Group's leasehold land and buildings comprise:		
Properties situated in Hong Kong held under long lease	1,120	1,249
Properties situated outside Hong Kong held under medium term leases	31,836	23,093
	<u>32,956</u>	<u>24,342</u>
Net book value of property, plant and equipment held under finance leases	<u>497</u>	<u>756</u>

Included in the properties situated outside Hong Kong held under medium term leases is an amount of HK\$30,089,000 relating to buildings of which the Group is still in the process of obtaining legal titles.

14. INVESTMENT PROPERTY

	THE GROUP HK\$'000
VALUATION	
At beginning of the year and at end of the year	<u>3,200</u>

The investment property, which is rented out for rental income, was revalued as at 31 December 2002 by Dudley Surveyors Limited, an independent firm of professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation of the investment property as at 31 December 2002.

The investment property is situated in Hong Kong and is held under long lease.

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15. GOODWILL

	THE GROUP HK\$'000
COST	
Arising on acquisition of additional interest in a subsidiary during the year and balance at 31 December 2002	2,219
AMORTISATION	
Provided for the year and balance at 31 December 2002	<u>(444)</u>
NET BOOK VALUE	
At 31 December 2002	<u><u>1,775</u></u>

The amortisation period adopted for goodwill is 5 years.

16. PATENT

	THE GROUP HK\$'000
COST	
At 1 January 2002 and at 31 December 2002	<u>4,705</u>
AMORTISATION	
At 1 January 2002	1,176
Provided for the year	<u>1,643</u>
At 31 December 2002	<u>2,819</u>
NET BOOK VALUES	
At 31 December 2002	<u><u>1,886</u></u>
At 31 December 2001	<u><u>3,529</u></u>

Patent represents the acquired exclusive right to use certain technologies for the manufacture of certain biopharmaceutical products. The patent is amortised over the remaining period of the exclusive rights assigned to the Group of four years.

Notes to the Financial Statements

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17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	1,433	2,877
Amount due from an associate	5,293	4,073
	<u>6,726</u>	<u>6,950</u>

Particulars of the Group's associate as at 31 December 2002 are set out in note 37.

18. PAYMENTS FOR INVESTMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Deposits paid for the acquisition of a subsidiary (Note a)	38,186	–
Amount paid for the acquisition of rights to a drug under development (Note b)	7,000	–
	<u>45,186</u>	<u>–</u>

Notes:

- (a) The Company through its wholly owned subsidiaries, LifeTec (Holdings) Limited ("LifeTec Holdings") and 威海基安生物工程有限公司 Weihai Genen Biotech Limited ("Weihai Genen"), entered into a conditional sale and purchase agreement with independent parties on 19 December 2002 for the acquisition by LifeTec Holdings and Weihai Genen of a 81% and a 19% interest, respectively, in the registered capital of 上海友恒生物科技有限公司 Shanghai Youheng Biotechnology Limited ("Shanghai Youheng") for a consideration of HK\$40,072,000. Shanghai Youheng is a limited company established in the PRC and holds the rights to two new drug projects.

In the opinion of the directors, the Group has not yet obtained the control over Shanghai Youheng as at 31 December 2002 and, accordingly, the amounts paid by the Group amounting to HK\$38,186,000 at 31 December 2002 are classified as deposits paid for the acquisition of a subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2002

18. PAYMENTS FOR INVESTMENTS (continued)

Notes: (continued)

- (b) On 26 July 2002, LifeTec Holdings entered into an agreement with an independent party to acquire the rights to a drug development project for a cash consideration of HK\$7,609,000. The amount paid by the Group amounting to HK\$7,000,000 at 31 December 2002 represents the partial consideration paid under the agreement.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	48,726	48,726
Impairment loss	(48,726)	(48,726)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Amounts due from subsidiaries less allowance	134,104	73,993
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	134,104	73,993
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The cost of the unlisted shares is based on the underlying net tangible assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1996.

Particulars of the Company's subsidiaries as at 31 December 2002 are set out in note 36.

Notes to the Financial Statements

For the year ended 31 December 2002

20. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials and consumables	323	529
Work in progress	140	20
Finished goods	2	56
	465	605
	2	76
At net realisable value	463	529
	465	605

21. DEBTORS AND PREPAYMENTS

The Group allows credit periods to its trade debtors on a case by case basis. The aging analysis of trade debtors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within 30 days	9,838	1,636
31 – 60 days	1,061	374
61 – 90 days	1,353	902
More than 90 days	2,691	288
	14,943	3,200
Other debtors and prepayments	5,795	7,820
	20,738	11,020

Included in other debtors and prepayments at 31 December 2002 is an amount of HK\$1,300,000, representing the balance of consideration receivable resulting from the disposal of certain subsidiaries during the year (note 29). The amount is unsecured, interest free and will be repayable one month after the date of disposal of a property situated in the PRC held by one of the disposed subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2002

22. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Other investments:		
Equity securities listed in Hong Kong, at market value	<u>-</u>	<u>6,100</u>

23. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The aging analysis of trade creditors is as follows:		
Within 30 days	118	239
31 – 60 days	64	-
61 – 90 days	-	9
More than 90 days	231	311
	<u>413</u>	<u>559</u>
Other creditors and accrued charges	17,817	33,623
	<u>18,230</u>	<u>34,182</u>

Notes to the Financial Statements

For the year ended 31 December 2002

24. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Mortgage loans	534	9,936
Bank loans	12,562	17,012
Bank overdraft	-	481
	<u>13,096</u>	<u>27,429</u>
Of which:		
Secured	2,836	14,337
Unsecured	10,260	13,092
	<u>13,096</u>	<u>27,429</u>
The terms of repayment of the bank borrowings are analysed as follows:		
Within one year or on demand	4,481	14,275
More than one year, but not exceeding two years	2,561	4,615
More than two years, but not exceeding five years	5,884	6,133
After five years	170	2,406
	<u>13,096</u>	<u>27,429</u>
Less: Amount due within one year shown under current liabilities	(4,481)	(14,275)
Amount due after one year	<u>8,615</u>	<u>13,154</u>

Notes to the Financial Statements

For the year ended 31 December 2002

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	371	371	340	295
More than one year, but not exceeding two years	46	371	44	340
More than two years, but not exceeding five years	-	46	-	44
	417	788		
Less: Future finance charges	(33)	(109)		
Present value of lease obligations	384	679	384	679
Less: Amount due within one year shown under current liabilities			(340)	(295)
Amount due after one year			44	384

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

For the year ended 31 December 2002

26. SHARE CAPITAL

	2002 Number of shares	2001 Number of shares	2002 HK\$'000	2001 HK\$'000
Shares of HK\$0.01 each				
Authorised:				
At beginning and at end of the year	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the year	1,415,945,946	1,073,945,946	14,159	10,739
Placement of new shares (note a and note b)	280,000,000	342,000,000	2,800	3,420
Issue of shares upon exercise of share options (note 27)	21,800,000	–	218	–
At end of the year	<u>1,717,745,946</u>	<u>1,415,945,946</u>	<u>17,177</u>	<u>14,159</u>

Changes in the issued share capital of the Company during the year are as follows:

- (a) On 14 May 2002, the Company entered into a placing and underwriting agreement with Best Top Offshore Limited ("Best Top"), a company wholly owned by Mr. Shan Shiyong who is a substantial shareholder and also a director of the Company, and a placing agent for the placement of 235,000,000 existing shares of HK\$0.01 each in the Company held by Best Top at HK\$0.29 per share through the placing agent to independent third parties, and the subscription by Best Top of the same number of new shares in the Company at HK\$0.29 per share. The allotment of new shares was completed on 23 May 2002. The allotted shares rank pari passu with the then existing shares in the Company in all respect.
- (b) On 14 May 2002, the Company entered into a placing and underwriting agreement with a placing agent for the placement of 45,000,000 new shares of HK\$0.01 each in the Company at HK\$0.29 per share through the placing agent to independent third parties. The allotment of new shares was completed on 23 May 2002. The allotted shares rank pari passu with the then existing shares in the Company in all respect.

The net proceeds from the above placements amounting to approximately HK\$78,821,000 were applied for the acquisition of new biotechnology drug projects, for the increase in investment in existing biopharmaceutical operations and for general working capital of the Group.

Notes to the Financial Statements

For the year ended 31 December 2002

27. 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 in relation to share option scheme.

Old Share Option Scheme

The purpose of the Old Share Option Scheme is to provide incentives to the directors and employees of the Group. As the Old Share Option Scheme has been terminated, no more option can be issued pursuant to the Old Share Option Scheme but in all other respects the provisions of the Old Share Option Scheme shall remain in force. The maximum entitlement of each participant shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Old Share Option Scheme. The period within which the shares must be taken up under an option shall not be later than 3 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. Each eligible employee has a choice to accept the share options granted within 21 days from the date of grant and no consideration is payable on acceptance of an option. The subscription price is the higher of the (i) the nominal value of a share and (ii) a price not less than 80% of the average of the closing prices of the share quoted on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

New Share Option Scheme

The purpose of the New Share Option Scheme is to provide incentives to the directors and employees of the Group. The period within which the shares must be taken up under an option of the New Share Option Scheme shall not be more than 5 years from the date of the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK\$1 is payable on acceptance of an option within 21 days from the date of grant.

The total number of shares in respect of which options may be granted under the New Share Option Scheme must not in aggregate exceed 10% of the share in issue as at 15 July 2002, being the date of adoption of the New Share Option Scheme, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each individual in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the five anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than (i) the higher of the closing price of the Company's shares on the date of grant and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the offer date.

Notes to the Financial Statements

For the year ended 31 December 2002

27. SHARE OPTIONS (continued)

The total number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Share Option Scheme and the New Share Option Scheme must not exceed 30% of the shares in issue from time to time.

No share options have been granted under the New Share Option Scheme since its adoption.

Details of the movements in share options granted under the Old Share Option Scheme during each of the two years ended 31 December 2002 are set out as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
			Outstanding at 1.1.2002	Granted during the year	Exercised during the year	Outstanding at 31.12.2002
Category: Directors						
2 June 2000	2 June 2000 to 1 June 2003	0.06848	65,400,000	-	(21,800,000)	43,600,000
Category: Employees						
19 April 2000	19 April 2000 to 18 April 2003	0.24000	1,500,000	-	-	1,500,000
5 June 2001	5 June 2001 to 4 June 2004	0.19600	2,500,000	-	-	2,500,000
7 May 2002	7 May 2002 to 6 May 2005	0.14460	-	5,000,000	-	5,000,000
8 May 2002	8 May 2002 to 7 May 2005	0.14580	-	2,500,000	-	2,500,000
			4,000,000	7,500,000	-	11,500,000
Total all categories			69,400,000	7,500,000	(21,800,000)	55,100,000

Notes to the Financial Statements

For the year ended 31 December 2002

27. SHARE OPTIONS (continued)

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
			Outstanding at 1.1.2001	Granted during the year	Exercised during the year	Outstanding at 31.12.2001
Category: Directors						
2 June 2000	2 June 2000 to 1 June 2003	0.06848	65,400,000	-	-	65,400,000
Category: Employees						
19 April 2000	19 April 2000 to 18 April 2003	0.24000	1,500,000	-	-	1,500,000
5 June 2001	5 June 2001 to 4 June 2004	0.19600	-	2,500,000	-	2,500,000
			1,500,000	2,500,000	-	4,000,000
Total all categories			66,900,000	2,500,000	-	69,400,000

No consideration was received during the year from employees for accepting the options granted (2001: Nil).

No charge is recognised in the income statement in respect of the value of options granted in the year (2001: Nil).

The closing price of the Company's share at the date of the exercise of the 21,800,000 share options was HK\$0.345 per share.

Notes to the Financial Statements

For the year ended 31 December 2002

28. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000 (Note 1)	Contributed surplus HK\$'000 (Note 2)	Goodwill reserve HK\$'000 (Note 3)	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP							
At 1 January 2001	83,772	88,643	-	(40,061)	461	(128,689)	4,126
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	-	266	-	266
Issue of shares	82,630	-	-	-	-	-	82,630
Expenses incurred in connection with the issue of shares	(2,919)	-	-	-	-	-	(2,919)
Goodwill adjustment	-	-	-	1,583	-	-	1,583
Share of exchange reserve of an associate	-	-	-	-	(63)	-	(63)
Loss for the year	-	-	-	-	-	(57,258)	(57,258)
At 31 December 2001	163,483	88,643	-	(38,478)	664	(185,947)	28,365
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	-	(27)	-	(27)
Issue of shares	79,675	-	-	-	-	-	79,675
Expenses incurred in connection with the issue of shares	(2,379)	-	-	-	-	-	(2,379)
Loss for the year	-	-	-	-	-	(23,318)	(23,318)
At 31 December 2002	240,779	88,643	-	(38,478)	637	(209,265)	82,316

Notes to the Financial Statements

For the year ended 31 December 2002

28. RESERVES (continued)

	Share premium HK\$'000	Special reserve HK\$'000 (Note 1)	Contributed surplus HK\$'000 (Note 2)	Goodwill reserve HK\$'000 (Note 3)	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY							
At 1 January 2001	83,772	-	110,223	-	-	(149,808)	44,187
Issue of shares	82,630	-	-	-	-	-	82,630
Expenses incurred in connection with the issue of shares	(2,919)	-	-	-	-	-	(2,919)
Loss for the year	-	-	-	-	-	(57,055)	(57,055)
At 31 December 2001	163,483	-	110,223	-	-	(206,863)	66,843
Issue of shares	79,675	-	-	-	-	-	79,675
Expenses incurred in connection with the issue of shares	(2,379)	-	-	-	-	-	(2,379)
Loss for the year	-	-	-	-	-	(27,867)	(27,867)
At 31 December 2002	<u>240,779</u>	<u>-</u>	<u>110,223</u>	<u>-</u>	<u>-</u>	<u>(234,730)</u>	<u>116,272</u>

The deficit of the Group included deficit of HK\$8,137,000 (2001: HK\$6,693,000) retained by an associate of the Group.

Notes:

- (1) Special reserve represents the aggregate of:
- (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the share premium account of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996, and
 - (ii) the effects of the capital reduction, share premium cancellation and elimination of deficit, took place in 1999.

Notes to the Financial Statements

For the year ended 31 December 2002

28. RESERVES (continued)

Notes: (continued)

- (2) Contributed surplus represents the aggregate of:
- (i) the difference between the consolidated shareholders' funds of LifeTec (Holdings) Limited at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation and after distributions, and
 - (ii) the effects of the capital reduction, share premium cancellation and elimination of deficit, took place in 1999.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company did not have reserves available for distribution to shareholders as at 31 December 2001 and 31 December 2002.

- (3) Goodwill reserve at the balance sheet date comprises HK\$38,571,000 (2001: HK\$38,571,000) and HK\$93,000 (2001: HK\$93,000) in respect of goodwill and negative goodwill respectively.

Notes to the Financial Statements

For the year ended 31 December 2002

29. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interest in Bestful International Ltd. and its subsidiaries to an independent party for a consideration of HK\$1,400,000. Details of the net assets disposed of were as follows:

	2002 HK\$'000	2001 HK\$'000
Net assets (liabilities) disposed of:		
Property, plant and equipment	14,409	18
Inventories	-	163
Debtors and prepayments	-	18
Bank balances and cash	-	10
Creditors and accrued charges	(3,747)	(834)
Mortgage loan	(9,294)	-
	<hr/>	<hr/>
Net assets (liabilities) disposed of	1,368	(625)
Gain on disposal of subsidiaries	32	625
	<hr/>	<hr/>
Total consideration	1,400	-
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	100	-
Balance of consideration receivable included in debtors and prepayments (note 21)	1,300	-
	<hr/>	<hr/>
	1,400	-
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow (outflow) from disposal of subsidiaries:		
Cash consideration received	100	-
Bank balances and cash disposed of	-	(10)
	<hr/>	<hr/>
	100	(10)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the year did not have significant impact on the turnover, results and cash flows of the Group for the year.

Notes to the Financial Statements

For the year ended 31 December 2002

30. PLEDGE OF ASSETS

At 31 December 2002, the Group's bank borrowings were secured by charges over properties of the Group with aggregate net book value of approximately HK\$4,320,000 (2001: HK\$19,087,000).

31. CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure general banking facilities granted to the subsidiaries. The extent of such facilities utilised by the subsidiaries as at 31 December 2002 amounted to approximately HK\$12,562,000 (2001: HK\$17,012,000).

On 15 September 1999, LifeTec Enterprise Limited ("LifeTec Enterprise"), a subsidiary of the Company, was named as a defendant in a High Court action in respect of an alleged failure to repay a loan in amount of HK\$20,000,000. The plaintiff took out an application for summary judgment under Order 14 of the Rules of the High Court on 6 October 1999 and in the hearing of the application on 25 October 1999, LifeTec Enterprise was given unconditional leave to defend the plaintiff's claim in the above action. LifeTec Enterprise filed its Defence on 8 November 1999. The plaintiff should have filed its reply, if any, fourteen days thereafter, but LifeTec Enterprise had not received any reply from the plaintiff up to 17 May 2000 and the time for the plaintiff to file the same has long expired and the pleadings should be deemed to be closed. The directors believe that there is no ground for the above claim and it will not have any material adverse impact on the Group's operations.

32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	1,256	3,009
In the second to fifth year inclusive	630	722
	<hr/>	<hr/>
	1,886	3,731
	<hr/> <hr/>	<hr/> <hr/>

Leases are negotiated for an average term of two years and rentals are fixed throughout the terms of respective leases.

Notes to the Financial Statements

For the year ended 31 December 2002

33. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Property, plant and equipment	-	12,714
Acquisition of a subsidiary	1,886	-
Acquisition of the rights to drug under development	609	-
	<hr/>	<hr/>
	2,495	12,714
	<hr/> <hr/>	<hr/> <hr/>

34. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The Group's contribution under the MPF Scheme for the year amounted to HK\$150,000 (2001:HK\$128,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the year amounted to HK\$446,000 (2001: HK\$211,000).

Notes to the Financial Statements

For the year ended 31 December 2002

35. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with an associate of the Group:

	2002	2001
	HK\$'000	HK\$'000
Management fee income (note a)	240	240
Maintenance expenses paid (note a)	120	120
Purchase of computer hardware and software (note b)	-	522
	5,293	4,073
Amount due from an associate (note c)		

Notes:

- (a) The transactions were charged at predetermined amount agreed between the parties involved.
- (b) The transaction was charged at cost plus a markup.
- (c) The amount is unsecured, interest-free and has no fixed terms of repayment.

36. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued/registered capital held by the Group	Principal activities
Asset Manager Enterprises Limited	Hong Kong	HK\$100	100%	Property holding
Goldstone International Holdings Limited	British Virgin Islands	US\$6,600	100%	Investment holding
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK\$10,000	100%	Inactive

Notes to the Financial Statements

For the year ended 31 December 2002

36. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued/registered capital held by the Group	Principal activities
LifeTec (Holdings) Limited (Note a)	British Virgin Islands	HK\$141,176	100%	Investment holding
LifeTec Enterprise Limited	Hong Kong	HK\$100	100%	General trading
龍口旭達仿皮有限公司 Longkou Sunny Link Leathering Co., Ltd. (Note b)	PRC	US\$3,100,000	68%	Manufacture and sale of PVC products
Sunny Link Trading Limited	Hong Kong	HK\$2	100%	General trading
威海基安生物工程有限有限公司 Weihai Genen Biotech Limited (Note c)	PRC	US\$2,000,000	100%	Research and development of biopharmaceutical products
威海賽洛金藥業有限公司 Weihai Sinogen Pharmaceutical Co., Ltd. (Note b)	PRC	RMB66,631,670	65.7%	Research, development, manufacturing and sales biopharmaceutical products
Yip Hing Toys Manufactory Limited	Hong Kong	HK\$100,000	100%	Inactive

Notes:

- (a) The subsidiary is directly held by the Company.
- (b) The subsidiaries are incorporated in the PRC as cooperative joint ventures.
- (c) The subsidiary is incorporated in the PRC as wholly-owned foreign enterprise.

Notes to the Financial Statements

For the year ended 31 December 2002

36. SUBSIDIARIES (continued)

Apart from 龍口旭達仿皮有限公司 Longkou Sunny Link Leathering Co., Ltd., 威海基安生物工程有限
公司 Weihai Genen Biotech Limited and 威海賽洛金藥業有限公司 Weihai Sinogen Pharmaceutical
Co., Ltd. which carry out their principal activities in the PRC, the principal activities of the remaining
subsidiaries are carried out in Hong Kong.

None of the subsidiaries had any debt securities subsisting at 31 December 2002 or at any time
during the year.

37. ASSOCIATE

Particulars of the Group's associate as at 31 December 2002 are as follows:

Name of associate	Form of business structure	Place of incorporation	Attributable proportion of nominal value of issued share capital indirectly held by the Company	Principal activities
LT3000 Online Limited	Incorporated	British Virgin Islands	47.47%	Development and trading of computer hardware and software