

The directors of the Company (the "Directors") present their report and the audited accounts of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 46 and 47.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 22.

The Directors do not recommend the payment of a dividend.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2002 is set out in note 5 to the accounts.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out as below:

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover					
Continuing operation	103,380	75,186	100,600	147,079	190,732
Discontinued operation	9,445	37,946	–	–	–
	<u>112,825</u>	<u>113,132</u>	<u>100,600</u>	<u>147,079</u>	<u>190,732</u>
(Loss)/profit attributable to shareholders					
Continuing operation	(25,030)	(18,214)	28,464	(24,887)	(164,308)
Discontinued operation	(447)	(2,848)	–	–	–
	<u>(25,477)</u>	<u>(21,062)</u>	<u>28,464</u>	<u>(24,887)</u>	<u>(164,308)</u>
Total assets	53,942	89,842	70,210	93,747	112,657
Total liabilities	<u>(52,152)</u>	<u>(65,683)</u>	<u>(42,246)</u>	<u>(245,681)</u>	<u>(242,704)</u>
Net assets/(liabilities)	<u>1,790</u>	<u>24,159</u>	<u>27,964</u>	<u>(151,934)</u>	<u>(130,047)</u>

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 14 to the accounts.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the accounts.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group are set out in notes 27 and 25 & 26 to the accounts respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 4 July 1996 for primary purpose of providing incentives to directors and eligible employees and will expire on 3 July 2006. Under the Scheme, the directors of the Company may, at their discretion, invite any employee and any executive director of the Company or its subsidiaries, to take up options at HK\$1 per option to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme will not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the directors which shall not exceed three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period or 3 July 2006 whichever is the earlier.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant.

Details of options outstanding as at 31 December 2002 are as follows:

	Number of share options
As at 1 January 2002 and 31 December 2002	150,000,000

PRE-EMPTIVE RIGHTS

There is no provision 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 existing shareholders.

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

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 32 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of approximately of HK\$69,332,000 is currently not available for distribution. The Company's share premium account with a balance of approximately HK\$179,717,000 may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2002	2001
	%	%
Purchases		
– the largest supplier	20	29
– five largest suppliers combined	55	65
Sales		
– the largest customer	28	12
– five largest customers combined	64	50

None of the Directors or any of their associates (as defined in the Listing Rules) or any shareholder (who, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest suppliers or customers during the year.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive directors

Mr CHEUNG Lik Chung

Mr YAU Yat Biu

Mr CHU Yuk Kuen

Ms WU Yun Yu

Mr CHAU Oi Ching, Samuel

(appointed on 19 March 2003)

Mr WONG Wing Shing, Wilson

(resigned on 21 February 2003)

Mr YUNG Kin Hang

(resigned on 11 March 2003)

Independent non-executive directors

Mr TAM Cheuk Ho

(appointed on 17 March 2003)

Mr SHUM Ka Hei

(appointed on 17 March 2003)

Mr YANG Keming

(appointed on 1 July 2002 and resigned on
17 March 2003)

Mr CHIU Kin

(appointed on 18 April 2002 and resigned on
17 March 2003)

Mr LO Kee Wai

(resigned on 12 March 2002)

Ms LO Miu Sheung, Betty

(resigned on 3 July 2002)

Mr CHAN Nim Leung, Leon

(resigned on 1 July 2002)

In accordance with the Company's Bye-law 86(2), Messrs CHAU Oi Ching, Samuel, TAM Cheuk Ho and SHUM Ka Hei will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-law 87(1), Mr CHU Yuk Kuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors of the Group as at the date of this report are as follows:–

EXECUTIVE DIRECTORS

Mr CHEUNG Lik Chung, aged 47, is the Chairman of the Company. Mr CHEUNG holds investment portfolios comprised of pharmaceutical companies, real estate properties and multi-national trade in various countries including China, Hong Kong and the USA. In the pharmaceutical arena, Mr CHEUNG has more than twenty years of strategic top-management level experience. He joined the Group in February 2000.

Mr YAU Yat Bui, aged 39, is the Deputy Managing Director of the Company and is responsible for the management of the Group's strategic investment and business development. He has over fifteen years' experience in trading, business investment and financial management. He had held various senior management positions in an international conglomerate before he joined the Group in February 2000.

Mr CHU Yuk Kuen, aged 48, is an Executive Director of the Company. He is also an Executive Director of FT Holding International Limited. He has over sixteen years' experience in marketing and manufacturing business. He joined the Group in June 1998.

Ms WU Yun Yu, formerly known as WU Ru, aged 34, is an Executive Director of the Company. Ms WU graduated from Zhong Shan University with a Bachelor of Arts Degree in Philosophy. Ms WU had been working for a Hong Kong listed company for more than 4 years and was responsible for the import of pharmaceutical products and equipments for the Health Bureau of Guangzhou Municipal Government and other major hospitals. Ms WU has extensive experience in pharmaceutical industry including Chinese and western pharmaceutical products, health care products and medical apparatus. She joined the Group in June 2001 and is responsible for the business promotion and development in Mainland China.

Mr CHAU Oi Ching, Samuel, aged 34, is an Executive Director of the Company. He has over ten years' experience in corporate management, in particular, the sales and marketing of electronic and electrical equipment, manufacturing equipment, building materials and waste management systems. He joined the Group in March 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr TAM Cheuk Ho, aged 40, is an Independent Non-executive Director of the Company. He is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants and holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. Mr TAM is a partner of a professional accounting practice in Hong Kong and a director of a Nasdaq listed company. He has extensive experience in accounting, finance and capital restructuring. He joined the Group in March 2003.

Mr SHUM Ka Hei, aged 38, is an Independent Non-executive Director of the Company. He is a holder of Bachelor degree in Social Sciences. Mr SHUM was called to the bar of England and Wales in 1996 and is now a practising barrister in Hong Kong. He joined the Group in March 2003.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals of the Group are set out in note 13 to the accounts respectively.

DIRECTORS' SERVICE CONTRACTS

Mr CHU Yuk Kuen has entered into Director's service contract with the Company for a fixed term of three years commencing on 18 February 2000. The contract was expired on 17 February 2003.

Save as disclosed above, none of the Directors who is proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTEREST IN SHARES

(a) Ordinary share in the Company:

As at 31 December 2002, the interests of the Directors, chief executives and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules were as follows:

	Number of ordinary shares	
	Personal interest	Corporate interest
Mr CHEUNG Lik Chung	–	1,346,448,000 <i>(note 1)</i>
Mr WONG Wing Shing, Wilson	8,324,000	500,000 <i>(note 2)</i>

Notes:

- (1) The shares under "Corporate interest" were held by Huge China Developments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr CHEUNG Lik Chung.
- (2) The shares under "Corporate interest" were held by Farmcote International Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr WONG Wing Shing, Wilson.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain Directors, as at 31 December 2002, none of the Directors, chief executives of the Company and their associates had or was deemed to have any interests in any securities of the Company or any associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTEREST IN SHARES *(continued)*

(b) Shares Options

Pursuant to the Share Option Scheme of the Company, certain Directors of the Company were granted share options to subscribe for shares of the Company, details of which as at 31 December 2002 are as follows:

Name of Directors	Date of Grant	Exercise Price HK\$	Exercise Period	Closing Price Before Date of Grant HK\$	Movement of Option Shares during the year				
					As at 1.1.2002	Granted	Exercised	Lapsed	As at 31.12.2002
Mr CHEUNG Lik Chung	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	67,500,000	-	-	-	67,500,000
Mr YAU Yat Bui	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	20,000,000	-	-	-	20,000,000
Mr YUNG Kin Hang <i>(note)</i>	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	52,500,000	-	-	-	52,500,000

No share options were exercised by the Directors during the year.

Note: Mr Yung Kin Hang has resigned as Director of the Company with effect from 11 March 2003. This option was lapsed on 11 April 2003 which was the date of expiration of one month after the date of his resignation.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, or any of their respective spouses or children under the age of 18, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors, chief executives and associates as disclosed above.

Subsequent to the year end date, on 11 April 2003, Huge China Developments Limited ("Huge China") that due to the placement of shares by the Company on 8 April 2003, its shareholding in the Company was diluted from 36.99% to 33.33%. Huge China is a company wholly-owned by Mr CHEUNG Lik Chung, Chairman of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the accounts.

CAPITAL STRUCTURE

During the year under review, the Company's issued share capital increased due to the issue of shares upon the exercise of subscription rights attaching to the Warrants, which were expired on 15 February 2002 and the placement of 270,000,000 shares during the year. Details are set out in note 30 to the accounts.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2002, none of the Directors of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PRACTICE NOTE 19 OF THE LISTING RULES

Save as mentioned in notes 19 & 20 to the accounts, there is no other disclosure required to be made by the Company pursuant to Practice Note 19 of the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for the year, except that the non-executive Directors of the Company are not appointed for specific terms but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's By-laws. The Company has established an audit committee in accordance with the Code of Best Practice and the committee comprises two independent non-executive Directors, namely Mr TAM Cheuk Ho and Mr SHUM Ka Hei.

AUDITORS

There were no other changes in auditors of the Group in any of the preceding three years.

Graham H Y Chan & Co. retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

CHEUNG Lik Chung
Chairman

Hong Kong, 28 April 2003