

AUDITORS' REPORT

Deloitte.
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TO THE SHAREHOLDERS OF LIFETEC GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Acts, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as below:

- (a) As at 31 December 2004, the Group had intangible assets of HK\$46,744,000 in connection with the beneficial rights to drugs under development not yet available for use as detailed in note 17 to the financial statements. However, we were unable to obtain sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the intangible assets amounting to HK\$46,744,000 as stated in the consolidated balance sheet at 31 December 2004.
- (b) Included in the payments for investments at 31 December 2004 were two deposits paid for the acquisition of subsidiaries of HK\$34,132,000 as detailed in note 19 to the financial statements. However, we were unable to obtain sufficient information and explanations to assess whether there is any impairment in the values of the assets to be acquired under the deposits, i.e., beneficial rights in two drugs under development not yet available for use held by the companies to be acquired and accordingly whether any allowance should be made in respect of the deposits amounting to HK\$34,132,000 as included in the consolidated balance sheet at 31 December 2004.

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- (c) Included in the payments for investments at 31 December 2004 were three deposits paid for the acquisition of beneficial rights to three drugs under development not yet available for use of HK\$34,697,000 and the corresponding consultancy fees for soliciting the drugs under development projects capitalised of HK\$1,126,000 as detailed in note 19 to the financial statements. However, we were unable to obtain sufficient information and explanations to assess whether there is any impairment in the values of the underlying assets to be acquired under the deposits, i.e., beneficial rights to three drugs under development not yet available for use and, accordingly, whether any allowance should be made in respect of the deposits amounting to HK\$34,697,000 and the corresponding consultancy fees for soliciting the drugs under development projects capitalised of HK\$1,126,000 as included in the consolidated balance sheet at 31 December 2004.
- (d) Included in the Company's balance sheet as at 31 December 2004 are interests in subsidiaries at a book value of approximately HK\$226,101,000. We were unable to assess whether there is any impairment in value of the related interests in subsidiaries due to the limitations in the scope of our work referred to in points (a) to (c) above.

Any adjustments found to be necessary to the figures set out in points (a) to (d) above would affect the net assets of the Group and the Company as appropriate as at 31 December 2004 and/or the loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the intangible assets and the payments for investments, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the loss and cash flow of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the intangible assets and the payments for investments, we have not obtained all the information and explanations we considered necessary for the purposes of our audit.

Without qualifying our opinion, we draw to your attention that because we were unable to obtain sufficient evidence concerning the financial information of certain subsidiaries disposed of during the year ended 31 December 2003 (the "Disposed Subsidiaries"), we were unable to satisfy ourselves that the Disposed Subsidiaries' contribution to the Group's turnover and profit for the year of HK\$16,548,000 and HK\$629,000, respectively, and the loss arising on disposal of the Disposed Subsidiaries of HK\$14,948,000, which were included in the consolidated income statement of the Group for the year ended 31 December 2003, were free from material misstatements. Similarly, we were unable to satisfy ourselves that the analysis of net liabilities of HK\$48,772,000 of the Disposed Subsidiaries at the date of disposal, as disclosed in note 35 to the financial statements, is free from material misstatement.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 April 2005