生命科技集團有限公司
LifeTec Group Limited
(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION - ACQUISITION OF 100% INTEREST IN SHANGHAI YOUHENG BIOTECHNOLOGY LIMITED

SUMMARY

The Company, through its wholly owned subsidiaries, LifeTec and Genen, entered into a conditional sale and purchase agreement with Mr. Wang and Ms. Song on 19th December 2002 for the acquisition by LifeTec and Genen of 81% and 19% interest respectively in the registered capital of Youheng, for a total consideration of RMB42,500,000 in cash. Youheng is a limited company incorporated in the PRC and holds the right to two new drug projects, namely the ALR Project and the Pazu Project. The total consideration for the Acquisition will be financed from the internal resources of the Company.

The Directors consider that the Acquisition will help to transform the Company from a single product company into a biopharmaceutical company with a more established product pipeline. The two new drugs developed under the Projects possess very promising market potential and together form the new driving force of the Company. The Directors also consider that it is a logical development of the Group's existing business and will better position the Group as a biopharmaceutical company with upstream development capability in the PRC in the coming years.

Shareholders and potential investors of the Company should note that the successful launch of ALR and Pazu in the market will depend on a variety of factors including, without limitation, the successful completion of the clinical trials of ALR and Pazu and the approval of ALR and Pazu by the SDA. There is, therefore, no assurance that ALR and Pazu will be brought to the market and even then, the new drugs will be able to generate sufficient revenues to the Group. Nevertheless, the Directors believe that such research and development risks are inherent in any biopharmaceutical company and the expected benefits which may be derived from a diversification of the product portfolio of the Group more than outweighs the disadvantages.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The Company will send a circular containing further details on the Acquisition to its shareholders soon.

THE SALE AND PURCHASE AGREEMENT DATED 19TH DECEMBER 2002

Parties

Vendor : Mr. Wang and Ms. Song.

Both Mr. Wang and Ms. Song are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the Listing Rules).

Purchaser : LifeTec and Genen, both wholly owned subsidiaries of the Company.

Assets acquired : 100% of the entire issued share capital in Youheng, as to 81% acquired by LifeTec and the remaining 19% acquired by Genen.

Consideration : RMB42,500,000 payable in cash, of which RMB24,000,000 is attributable to Youheng's interest in the ALR Project and the balance of RMB18,500,000 is attributable to the Pazu Project and will be financed from the internal resources of the Company.

Time of payment of the Consideration :

(1) Within 3 days from the signing of the Agreement, LifeTec shall pay to Mr. Wang and Ms. Song the amount of RMB2,100,000 and RMB330,000 respectively and Genen shall pay to Ms. Song the amount of RMB570,000. The Company has paid the aforesaid amounts to Mr. Wang and Ms. Song before the date of this announcement;

(2) Before 31st December 2002, LifeTec shall pay to Mr. Wang and Ms. Song the amount of RMB26,250,000 and RMB4,125,000 respectively and Genen shall pay to Ms. Song the amount of RMB7,125,000; and

(3) Within 3 days after the completion of the registration procedures at the State Administration for Industry and Commerce Bureau, which is expected to be on or before end of January 2003, LifeTec shall pay to Mr. Wang and Ms. Song the amount of RMB1,400,000 and RMB220,000 respectively and Genen shall pay to Ms. Song the amount of RMB380,000.

Basis for determining the Consideration: The consideration for the Acquisition has been concluded after arm's length negotiations between the parties and is determined with reference to the valuations of the ALR Project and the Pazu Project conducted by Vigers Hong Kong Limited, an independent professional valuer engaged by LifeTec and Genen, of RMB32,600,000 and RMB22,100,000 respectively as at 30th November 2002. The valuations have been carried out on the basis of fair market value and by adopting a generally accepted valuation model in the pharmaceutical industry, namely the risk-adjusted net present value and an investment rate of 12% and the major assumptions of such valuation model are as follows:

(1) there will be no major changes in the existing political, legal, and economic conditions in the countries where Youheng carried on the business;

(2) Youheng will retain and recruit competent management, key personnel, and technical staff to support its ongoing operation;

(3) there are no patent disputes involving the products of the Projects;

(4) trends and market conditions for the business of Youheng will not deviate significantly from economic forecasts; and

(5) there is no effort done by Youheng for the products of the Projects, which may result in any future economic benefit or detriment for Youheng and is not disclosed in the valuation.

Further information on the valuation model for the Projects and the basis of determination of the consideration for the Acquisition will be contained in the circular to be despatched to shareholders of the Company.

Conditions : The Acquisition is conditional upon the fulfilment of, among others, the following conditions:

(1) the unanimous approval of the Acquisition by the shareholders of Youheng;

(2) the approval of the Acquisition by the respective boards of directors of LifeTec and Genen;

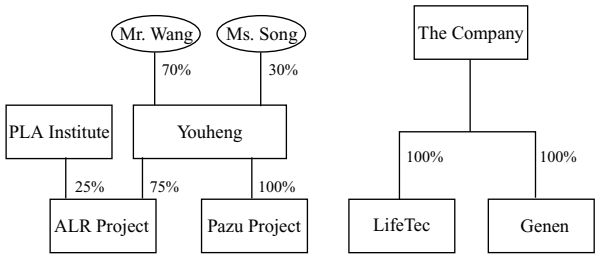
(3) the representation and warranty given by Mr. Wang and Ms. Song that all books of account which have been provided by Youheng in accordance with the Agreement is true and accurate and not misleading in any respect and have included such information which shall be required to be disclosed by Youheng in relation to its financial information and indebtedness; and

(4) all the relevant government approval for the transfer of 100% shareholding interest to the Company or its designated party.

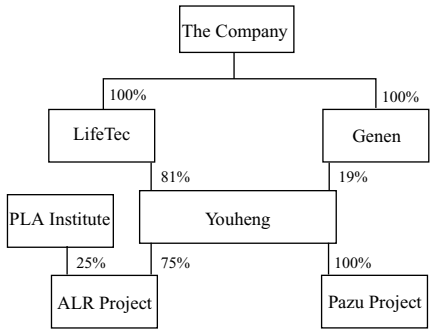
Expected completion date : On or before 31st December 2002.

Corporate Structure of Youheng before and after the Acquisition

Before the Acquisition



After the Acquisition



Information on Youheng

Youheng is a limited company incorporated in Shanghai, the PRC, which is presently owned as to 70% by Mr. Wang and as to 30% by Ms. Song. Since its incorporation in March 2002, Youheng has been principally engaged in the development and research and investment of new biopharmaceutical drugs in the PRC.

Based on the management accounts of Youheng, its unaudited net loss for the period since its incorporation up to 19th December 2002 was approximately RMB1,045,481 (or approximately HK$986,302.83) and its unaudited net tangible assets comprising mainly fixed assets (such as computer and research and development equipment) and cash was approximately RMB954,591 (or approximately HK$900,557.55) as at 19th December 2002. Youheng holds the right for two new drug projects, namely ALR Project and the Pazu Project. Patent for the ALR's production technique and application in the treatment of severe liver disease was filed with the SIPO in August 2002. Youheng has not obtained the patent registrations for ALR and Pazu nor has it commenced the manufacture, sales and marketing of ALR and Pazu at the date of this announcement.

Information on the ALR Project

ALR has been developed by the PLA Institute. The research team succeeded in identifying the gene sequence of human ALR and developing proprietary DNA recombinant production technique to produce ALR at a high level of purity. Patent for the ALR's production technique and application in the treatment of severe liver disease was filed with the SIPO in August 2002.

Pursuant to the Joint Medicine Research and Development Agreement entered into between Youheng and the PLA Institute in 2002, Youheng is entitled to 75% of all the benefits derived in any manner from the ALR Project while the PLA Institute is entitled to the remaining 25% interest. Youheng shall have the right of first refusal in the event that the PLA Institute wishes to sell its 25% interest in the ALR Project. Upon the grant of the patent registration by SIPO, Youheng shall be entitled to the patent for the production technique and application of ALR. Moreover, upon the grant of the new drug licence and manufacturing licence for ALR by the SDA, Youheng shall be entitled to the exclusive manufacturing right for ALR.

Youheng is responsible for the research and development costs for the technical research, clinical trials, new drug application and patent application for the ALR Project. Youheng has no specific capital commitment under the Joint Medicine Research and Development Agreement. Neither the Company nor any of its subsidiaries has guaranteed or will be required to guarantee any obligations of Youheng under the Joint Medicine Research and Development Agreement. The PLA Institute is responsible for conducting the clinical trials and applying to the SDA for the new drug registration of ALR. The PLA Institute is also responsible for providing the trial production facilities for ALR clinical trials.

ALR can stimulate DNA synthesis in liver and has no effect on other organs either in vivos or in vitro. ALR can bind to its specific receptor on the cell surface and trigger signal transduction pathways to regulate cell functions. ALR may also function in liver regeneration by reducing oxidative damages. It is believed that ALR will have superior treatment effect on a wide range of liver diseases including cirrhosis and liver cancer. As ALR is produced by DNA recombinant technique, the product is of higher purity and can be delivered into human body by intra-muscular injection or oral administration.

Stage I, II, III and IV clinical trials will be conducted in the next few years in accordance with the new drug application procedures of the SDA. It is expected that ALR will be applied for approval by the SDA as a new drug for clinical use. The Company targets to launch the ALR in the PRC in 2006. The Company will market the ALR through its existing sales network for the liver disease sector.

Information on the Pazu Project

Pursuant to the Clinical Research Documents Transfer Agreement For Pazufloxacin Injection between Youheng and Taishen signed in 2002, Youheng acquired from Taishen all the pre-clinical research results and proprietary production technology for the new chemical antiseptic Pazu injection. Youheng is responsible for providing the trial production facilities for Pazu clinical trials. Youheng is responsible for the application costs for Pazu's registration with the SDA, which the Directors do not expect to be material to the Group. Youheng has no specific capital commitment under the Clinical Research Documents Transfer Agreement. Neither the Company nor any of its subsidiaries has guaranteed or will be required to guarantee any obligations of Youheng under the Clinical Research Documents Transfer Agreement. Upon the grant of the new drug licence and the manufacturing licence for Pazu by the SDA, Youheng shall be entitled to the exclusive manufacturing right for Pazu. Taishen is responsible for providing all the technical support in Pazu's clinical trials and new drug application. Taishen is also responsible for providing the raw materials for the Pazu injection used in clinical trials.

Pazu is a quinolone antimicrobials, a class of inhibitors of bacterial topoisomerases that has been developed most fully for clinical use in human medicine. This new generation drug has been launched in the Japanese market recently after regulatory approval was granted. The same drug has not yet been registered in the PRC nor is it on sale in the PRC market. As a third generation quinolone, Pazu has demonstrated to be superior in treating gram positive bacterial infections to the second generation quinolones including Ofloxacin and Ciproflaxacin. The drug is efficacious on a wide range of diseases including chronic bronchitis, complicated urinary tract infections, post operational infections, community-acquired pneumonia, acute sinusitis and gonorrhea. Pazu is parenteral once a day broad spectrum fluoroquinolone. It is a safe drug with no serious side effects.

Stage I, II, III and IV clinical trials will be conducted in the next few years in accordance with the new drug application procedures of the SDA. It is expected that Pazu will be applied for approval by the SDA as a new drug for clinical use. The Company targets to launch Pazu as an injection medicine in the PRC in 2005. The Company will leverage on its existing distribution channels for the infectious diseases hospitals to promote the new product.

Reasons for the Acquisition

The Group is principally engaged in the research and development, manufacture and sale of biophamaceutical products.

As mentioned in the circular issued by the Company to its shareholders dated 30th October, 2000 relating to the acquisition by the Group of an approximately 69.97% interest in Goldstone whose only subsidiary is Sinogen, the Directors considered that the acquisition represented the first step through which the Group would establish itself as a key player in the biotechnology medicine industry in the Asia Pacific. At the date of this announcement, Sinogen owns and manufactures one product, namely Wei Jia. With the grant of the certification of Good Manufacturing Practice ("GMP") by the SDA to Sinogen in November 2002, it is expected that the production volume of Wei Jia will be greatly increased which will in turn have a significant contribution to the turnover of the Group in future. In order to avoid over-reliance on a single product, the Directors consider that the Acquisition will help to transform the Company from a single product company into a biopharmaceutical company with a more established product pipeline. The two new drugs developed by the Projects possess very promising market potential and together form the new driving force of the Company. The Directors also consider that it is a logical development of the Group's existing business and will better position the Group as a biopharmaceutical company with upstream development capability in the PRC in the coming years.

The Directors expect the two new drugs developed under the ALR Project and the Pazu Project will be launched in the PRC market in a few years time.

Shareholders and potential investors of the Company should note that the successful launch of ALR and Pazu in the market will depend on a variety of factors including, without limitation, the successful completion of the clinical trials of ALR and Pazu and the approval of ALR and Pazu by the SDA. There is, therefore, no assurance that ALR and Pazu will be brought to the market and even then, the new drugs will be able to generate sufficient revenues to the Group. Nevertheless, the Directors believe that such research and development risks are inherent in any biopharmaceutical company and the expected benefits which may be derived from the diversification of the product portfolio of the Group more than outweigh the disadvantages.

General

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

The Company will send a circular containing details of the Acquisition to its shareholders soon.

The Company will make such announcements regarding the material developments of the Projects including, the results of the clinical trials for ALR and Pazu and the approval or rejection of the applications for the drug licence and/or manufacturing licence for ALR and Pazu by the SDA, as and when appropriate.

Terms used in this Announcement

"Acquisition"	the acquisition by the Group of a 100% interest in the registered capital of Youheng pursuant to the Agreement
"Agreement"	the conditional agreement dated 19th December 2002 made between Mr. Wang, Ms. Song, LifeTec and Genen relating to the Acquisition
"ALR"	Augmenter for Liver Regeneration, a potential new DNA recombinant drug for treating a wide range of liver diseases including cirrhosis and liver cancer
"ALR Project"	the research and development project for ALR
"Company"	LifeTec Group Limited, an exempt company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Directors"	directors of the Company
"Genen"	Weihai Genen Biotech Limited, a wholly foreign owned enterprise incorporated in the PRC and a wholly owned subsidiary of the Company
"Goldstone"	Goldstone International Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"LifeTec"	LifeTec (Holdings) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wang"	王丹東 (Mr. Wang Dan Dong)
"Ms. Song"	宋偉玲 (Ms. Song Wei Ling)
"Pazu"	Pazufloxacin, a quinolone antimicrobials which is a class of bacterial topoisomerases inhibitors for treating bacterial infections
"Pazu Project"	the research and development project for Pazu
"PLA Institute"	中國人民解放軍傳染病研究所 (The Institute of Infectious Diseases of the People's Liberation Army), which is the official clinical research centre approved by the People's Liberation Army and the State Council of the PRC for viral hepatitis and AIDS and an independent third party not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the Listing Rules)
"PRC"	the People's Republic of China
"Projects"	two new drug projects, namely ALR Project and Pazu Project
"SDA"	the State Drug Administration of the PRC
"Sinogen"	Weihai Sinogen Pharmaceutical Co., Ltd., a sino-foreign equity joint venture enterprise and a subsidiary of the Company
"SIPO"	State Intellectual Property Office of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taishen"	上海泰升科技發展有限公司 (Shanghai Taishen Technology Development Limited), a limited company incorporated in the PRC and an independent third party not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the Listing Rules)
"Wei Jia"	the drug having the medical name "Hepatocyte Growth Factors" and is marketed as a clinical drug by the Group under the name "Wei Jia"
"Youheng"	上海友恒生物科技有限公司 (Shanghai Youheng Biotechnology Limited), a limited company incorporated in the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

By Order of the Board of
LifeTec Group Limited
Jay Chun
Chairman

Hong Kong, [23rd] December 2002

Unless otherwise specified, where financial information in this announcement has been converted from RMB into Hong Kong dollars, it has been converted at the exchange rate of RMB1.06:HK$1.00.