

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

Wanji Pharmaceutical Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) are engaged in the business of distribution of medical equipment and the provision of healthcare transaction processing and healthcare solutions. Its operations are carried out principally in Hong Kong.

CHANGE OF COMPANY NAME

Pursuant to a special resolution of the Company passed on 14th July 2003, the name of the Company was changed from ehealthcareasia Limited to Wanji Pharmaceutical Holdings Limited with effect from 14th July 2003 and a Chinese name of “萬基藥業控股有限公司” was adopted.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

The directors do not recommend the payment of a dividend in respect of the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES FOR SALE

Details of the principal properties for sale are set out on page 55.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

SHARE OPTION SCHEME

The Company operated a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s employees, including any full-time employees or directors of the Company and its subsidiaries. The Scheme has been adopted since 24th September 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum entitlement of each eligible participant is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. The maximum number of ordinary shares in which share options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company excluding any shares issued upon exercise of share options granted from time to time.

The offer of a grant of share options may be accepted within 30 days from the date of the offer with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors at any time from the date of grant of the relevant share options to the close of business on the second anniversary of that date or 24th September 2008, whichever is the earlier.





SHARE OPTION SCHEME (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing prices of the ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five (5) trading days immediately preceding the date of the offer of the option; or (ii) the normal value of the ordinary shares.

On 1st September 2001, the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In accordance with the revised rules, it is possible for the Company to grant further options from its existing scheme only if the options granted are in accordance with the requirements of the new rules of Chapter 17 and the options already granted before 1st September 2001 would not be affected by such new rules.

No options were granted and/or exercised during the year. On 27th June 2002, all the unexercised share options granted under the Scheme, which entitled the grantees to subscribe for 150,000 shares of HK\$0.01 each in the Company in total, were lapsed.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company at 31st March 2003, calculated under the Companies Act 1981 of Bermuda (as amended). The Company's share premium account, in the amount of HK\$31,824,000 at 31st March 2003 may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.



DIRECTORS

The directors during the year and up to the date of this report were:

Executive directors:

Chen Wei Dong	
Chen Xiao Yong	
Wei Jia Nan	
Lam Man Kit	
Brian O'Connor	(resigned on 28th October 2002)
Sam Abunassar	(resigned on 30th April 2002)
Wong Tai Chun, Mark	(appointed on 30th April 2002 and resigned on 28th October 2002)

Non-executive directors:

Chen Su Xia	(appointed on 7th October 2002)
Chen Shini	(appointed on 7th October 2002 and resigned on 20th February 2003)
Richard Siemens	(resigned on 28th October 2002)

Independent non-executive directors:

Li Kai Fai, David	(appointed on 28th October 2002)
Lester Garson Huang	(resigned on 28th October 2002)
Gary Forrest	(resigned on 28th October 2002)
Tang Shun Lam	(appointed on 2nd May 2003)

In accordance with the Company's Article of Association, all the existing directors retire and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The Company entered into a distributorship agreement (the "Distributorship Agreement") with Shenzhen Wanji Medicine Products Co. Ltd. ("Shenzhen Wanji"), whereby the Company (for itself and its subsidiaries) has been appointed as the exclusive distributor of Shenzhen Wanji's products, being a range of health supplement products as detailed in the Distributorship Agreement, on a worldwide basis, except for the mainland of The People's Republic of China, for a fixed term of 10 years. Shenzhen Wanji is controlled by Mr. Chen Wei Dong, who is a brother of Ms. Chen Shini, the beneficial owner of Wealth Generator. There is not any significant transactions derived from the Distributorship Agreement for the year ended 31st March 2003.

Except for the above and disclosed in note 28 to the accounts, no other contracts of significance in relation to the Group's businesses to which the Company, its holding company, its subsidiaries, its fellow subsidiaries was a party and in which the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st March 2003, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which are required to be recorded in the register kept under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Certain former directors of the Company were granted share options to subscribe for shares in Quality Healthcare Asia Limited, the former ultimate holding company of the Company, and details of which are as follows:

Name of directors	At 1st April 2002	Number of share options Cancelled/ lapsed during the period	Up to date of resignation	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options HK\$
Brian O'Connor (Note 1)	750,000	(750,000)	–	19-11-98	19-11-99 to 18-05-02	0.330
	750,000	(750,000)	–	19-11-98	19-11-00 to 18-05-02	0.330
	3,000,000	–	3,000,000	19-04-99	03-05-00 to 02-11-02	0.435
	3,000,000	–	3,000,000	19-04-99	03-05-01 to 02-11-02	0.435
	8,000,000	–	8,000,000	08-11-99	15-05-00 to 14-05-03	0.640
	15,500,000	(1,500,000)	14,000,000			
Wong Tai Chun, Mark (Note 1)	300,000	(300,000)	–	19-11-98	20-11-00 to 19-05-02	0.330
	400,000	(400,000)	–	19-04-99	26-04-00 to 25-10-02	0.435
	400,000	(400,000)	–	19-04-99	26-04-01 to 25-10-02	0.435
	750,000	–	750,000	21-02-00	24-02-01 to 04-07-03	1.450
	750,000	–	750,000	21-02-00	24-02-02 to 04-07-03	1.450
	1,500,000	–	1,500,000	10-06-00	14-06-01 to 04-07-03	1.150
	1,500,000	–	1,500,000	10-06-00	14-06-02 to 04-07-03	1.150
	5,600,000	(1,100,000)	4,500,000			
Sam Abunassar (Note 2)	14,000,000	–	14,000,000	22-01-00	15-08-00 to 04-07-03	1.175
	6,000,000	–	6,000,000	03-08-00	16-02-01 to 04-07-03	0.960
	20,000,000	–	20,000,000			

Notes:

- Brian O'Connor and Wong Tai Chun, Mark resigned as directors of the Company on 28th October, 2002.
- Sam Abunassar resigned as a director of the Company on 30th April, 2002.

Apart from as disclosed above and under the heading of "Share Option Scheme" in this Report of the Directors, at no time during the year was the Company, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.





SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st March 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholders	Number of shares held
Wealth Generator Limited (<i>Note</i>)	3,809,627,884
Chen Shini (<i>Note</i>)	3,809,627,884

Note: Chen Shini and Wealth Generator Limited are deemed to be interested in the same parcel of shares by virtue of Section 8(2) of the SDI Ordinance.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers combined accounted for approximately 35% and the largest customer contributed approximately 9% to the turnover of the Group, and the percentage of purchases attributable to the Group's five largest suppliers combined accounted for approximately 59% and the largest supplier contributed approximately 18% to the purchases of the Group.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issue share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

Except for the transactions disclosed in directors' interest in contracts above and disclosed in note 28 to the accounts, there were no other connected transactions entered into by the Group during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, which specifies the best practice to be followed by the directors and non-executive directors throughout the year ended 31st March 2003, except that all non-executive directors of the Company have no fixed terms of office, but will retire from office on a rotation basis in accordance with the Company's bye-laws.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The board has established an audit committee (the "Audit Committee") which comprises all of the non-executive directors as members. The role of the Audit Committee is to monitor the Group's accounting and financial reporting practices and internal controls system. In addition, the board has also established a remuneration committee to advise the board on the annual remuneration packages of the directors of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company had any interest in any business which competes with the Group.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 29 to the accounts.

AUDITORS

During the year, Ernst & Young resigned as auditors of the Company. PricewaterhouseCoopers were appointed as auditors of the Company on 14th July 2003 and have remained as the Company's auditors from that day.

Ernst & Young were appointed as auditors of the Company in place of the retired auditors, Deloitte Touche Tohmatsu at the annual general meeting held on 28th September 2000. There have been no other changes of auditors in the past three years.

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chen Wei Dong
Chairman

Hong Kong, 23rd July 2003

