



Report of the Directors

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The directors submit their report together with the audited accounts for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is engaged in the business of distribution of medical equipment, medicinal and winery products. 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 30.

The Board of directors does not recommend the payment of any dividends for the year ended 31st March 2004.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 34 and note 19 to the accounts respectively.

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 57.

SHARE CAPITAL

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

SHARE OPTION SCHEME

Old share option scheme

The Company operated the Old Share Option 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 Old Share Option Scheme include any full-time employees and directors of the Group. The Old Share Option Scheme was adopted on 24th September 1998 and was terminated on 26th August 2003. Immediately prior to the termination of the Old Share Option Scheme, there were no outstanding share options.

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 Old Share Option Scheme. The maximum number of ordinary shares in which share options may be granted under the Old Share Option 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.

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 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.

No options were granted, exercised, cancelled or lapsed under the Old Share Option Scheme during the year ended 31st March 2004.

SHARE OPTION SCHEME (continued)

New share option scheme

On 26th August 2003, in order to comply with the new requirements of Chapter 17 of the Listing Rules, the New Share Option Scheme was approved by the Company's shareholders. Pursuant to the New Share Option Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director) or employee of the Company or any of its subsidiaries or any employee of any of its associated companies (the "Eligible Person") to take up options to subscribe for shares of HK\$0.01 each in the capital of the Company.

The purpose of the New Share Option Scheme is to motivate the Eligible Persons and to allow them to participate in the growth of the Company.

The option price per share payable on the exercise of an option as determined by the directors and being not less than the higher of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such option and (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheets on the day of offer of such option, which must be a business day and (c) the nominal value of a share.

The total number of shares available for issue under the New Share Option Scheme is 544,232,517 which represents approximately 10% of the issued share capital of the Company at the date of this report. The maximum entitlement for any Eligible Person is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period does not exceed one per cent. of the relevant class of shares in issue.

Upon acceptance of the option, the grantees shall inform the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant within 21 days from the date of making offer of option.

There is no minimum period for which an option must be held before it can be exercised.

No option was granted to any Eligible Person pursuant to the New Share Option Scheme during the year ended 31st March 2004.

The New Share Option Scheme will remain in force for a period of 10 years commencing on 26th August 2003 to 25th August 2013.

SHARE OPTION SCHEME (continued)

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Apart from the foregoing, there was no arrangement to which the Company or any of its subsidiaries was a party to enable the directors and their respective spouses and infant children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company at 31st March 2004, calculated under the Companies Act 1981 of Bermuda (as amended). The Company's share premium account, in the amount of HK\$31,904,000 at 31st March 2004 (2003: HK\$31,824,000) 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 58.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March 2004.

DIRECTORS

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

Executive directors:

Chen Wei Dong

Chen Xiao Yong

Wei Jianan

Lam Man Kit

Non-executive director:

Chen Su Xia

Independent non-executive directors:

Li Kai Fai, David

Tang Shun Lam (appointed on 2nd May 2003)

In accordance with the Company's Bye-laws, Messrs. Chen Xiao Yong and Lam Man Kit retire and are eligible for re-election at the forthcoming annual general meeting of the Company. Mr. Chen Xiao Yong has informed the Board that he will not stand for re-election. Mr. Lam Man Kit offers himself 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

On 8th August 2002, the Company entered into a distributorship agreement (the “1st Distributorship Agreement”) with 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 1st Distributorship Agreement, on a worldwide basis, except for the mainland of the PRC, for a fixed term of 10 years. Shenzhen Wanji is controlled by Mr. Chen Wei Dong and his associates. Mr. Chen Wei Dong is a brother of Ms. Chen Shini, the beneficial owner of Wealth Generator Limited. The aggregate purchase considerations of medicinal products under the 1st Distributorship Agreement for the year amounted to approximately HK\$1,413,000.

On 12th January 2004, another distributorship agreement (the “2nd Distributorship Agreement”) was entered into between Wanji (Hong Kong) Trading Limited (“Wanji HK”), an indirect wholly-owned subsidiary of the Company, and Shangdong Confucius Family Group Co., Ltd. (“Confucius Family”), whereby Wanji HK has been appointed as the exclusive distributor of Confucius Family spirits as detailed in the 2nd Distributorship Agreement, on a worldwide basis, except for the mainland of the PRC, for a fixed term of 2 years. Confucius Family is also controlled by Mr. Chen Wei Dong and his associates. The aggregate purchase considerations of winery products under the 2nd Distributorship Agreement for the year amounted to approximately HK\$960,000.

Except for the above, 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 directors of 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 SECURITIES

As at 31st March 2004, none of the directors (including their respective spouses, infant children, related trusts and companies controlled by them) had any interests or short positions in the Company’s shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the “SFO”)), which required notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position in which any such director is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company or their respective spouses or infant children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 31st March 2004, so far as is known to the directors, the following persons had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name of interested party	Number of shares held	Percentage of issued share capital
Wealth Generator Limited (Note 1)	3,809,627,884	70.00%
Chen Shini (Note 1)	3,809,627,884	70.00%
Quam Finance Limited (Note 2)	3,809,627,884	70.00%
Quam Limited (Note 3)	4,297,721,884	78.96%

Notes:

1. Wealth Generator Limited, a company wholly-owned by Ms. Chen Shini, interested in 3,809,627,884 shares. Wealth Generator Limited and Ms. Chen Shini are deemed to be interested in the same parcel of shares by virtue of Part XV of the SFO.
2. 3,809,627,884 shares held by Wealth Generator Limited were pledged to secure a loan from Quam Finance Limited. Quam Finance Limited is deemed to have the same interests in the shares as those of Wealth Generator Limited by virtue of Part XV of the SFO.
3. Quam Limited indirectly held 100% interest in Quam Finance Limited. Quam Finance Limited and Quam Limited are deemed to be interested in the same parcel of 3,809,627,884 shares by virtue of Part XV of the SFO. In addition, Quam Limited directly held 488,094,000 shares.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS (continued)

Save as disclosed above, so far as is known to the directors, as at 31st March 2004, no other persons had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

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 37% (2003: 35%) and the largest customer contributed approximately 10% (2003: 9%) to the turnover of the Group, and the percentage of purchases attributable to the Group's five largest suppliers combined accounted for approximately 68% (2003: 59%) and the largest supplier contributed approximately 18% (2003: 18%) to the purchases of the Group.

Mr. Chen Wei Dong controlled one of the largest suppliers of the Company. Saved as disclosed above, no other 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 issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

As disclosed in directors' interests in contracts above, the aggregate purchase considerations under the distributorship agreements do not exceed the threshold under Rule 14.25(1) of the Listing Rules applicable in the year.

Details of terms of the connected transactions were set out in the Company's announcement dated 27th October 2003.

CONNECTED TRANSACTIONS (continued)

The independent non-executive directors have reviewed and confirmed that the connected transactions arising from the distributorship agreements in the year (i) had been entered into by the Group in the ordinary and usual course of its business; (ii) had been entered into on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and (iii) the value of the aggregate purchase considerations under the distributorship agreements does not exceed the thresholds under Rule 14.25(1) of the Listing Rules applicable in the year.

The auditors of the Company have reviewed the above connected transactions in the year and confirmed that the transactions (i) were approved by the Board of directors of the Company; (ii) had been entered into in accordance with the terms of the distributorship agreements; and (iii) had not exceeded the thresholds under Rule 14.25(1) of the Listing Rules applicable in the year.

Save as disclosed herein and for the transactions disclosed in directors' interest in contracts above, 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 Board of directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

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

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

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chen Wei Dong

Chairman

Hong Kong, 20th July 2004