

The directors present their annual report and the audited financial statements for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 23.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 26 and note 24 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent an aggregate amount of approximately HK\$12.4 million on the acquisition of property, plant and equipment for expansion and improvement of the manufacturing facilities of its pharmaceutical business. In addition, there was an aggregate net book value of approximately HK\$5.3 million of vessels and containers disposed of upon disposal of subsidiaries during the year.

Details of these and other movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Ms. Zhang Cheng (<i>Chairman</i>)	(appointed on 14th April, 2003)
Mr. Feng Xiang Cai	
Mr. Lin Dong	
Mr. Wong Kwong Miu	(resigned on 14th April, 2003)
Mr. Wong Kwong Lung, Terence	(resigned on 14th April, 2003)

Independent non-executive directors:

Mr. Qiu Yiyong	
Ms. Jin Jane	(appointed on 1st July, 2003)
Mr. Lam Yin Ming, Lawrence	(resigned on 22nd July, 2003)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Qiu Yiyong retires and, being eligible, offers himself for re-election.

The term of office of each of the non-executive directors is the period up to their retirement as required by the Company's Bye-laws.

None of the director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2004, the interests and short positions of the directors and their respective associates in the shares, underlying shares and debenture or short position and share options of the Company or any of its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(a) Long position in ordinary shares of HK\$0.05 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Ms. Zhang Cheng	Beneficial owner Held by controlled corporation	652,000,000	62.91%

Ms. Zhang Cheng beneficially owns and controls Guardwell Investments Limited ("Guardwell"). Accordingly, Ms. Zhang is deemed to be interested in the shares held by Guardwell.

(b) Long positions in the underlying shares of the Company

Name of director	Capacity	Number of shares to be subscribed under the option granted
Ms. Zhang Cheng	Beneficial owner Held by controlled corporation	200,000,000

Ms. Zhang Cheng beneficially owns and controls Guardwell and is deemed to be interested in the option granted to Guardwell for subscribing the Company's shares during the period from 25th April, 2003 to 24th October, 2004 at a subscription price of HK\$0.20 per share.

DIRECTORS' INTERESTS IN SECURITIES (continued)

The directors consider that it is not appropriate to disclose the value of the share option granted by the Company since any valuation of the share option would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the evaluation of share option based upon speculative assumptions would not be meaningful and would be misleading.

Save as disclosed above, none of the directors and their associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31st March, 2004.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in respect of the directors' interests in securities and note 23 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of the directors' interest in securities, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

SHARE OPTIONS

Details of share options are set out in note 23 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director 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.

CONNECTED TRANSACTIONS

Pursuant to the approval given by the Company's shareholders at the special general meeting held on 9th June, 2003, the Group acquired from two substantial shareholders of the Group's non wholly-owned subsidiary an additional 41% equity interest in that non wholly-owned subsidiary which in turn owns 95% equity interest in a China subsidiary that engaged in the manufacture and sales of pharmaceutical products for a consideration of HK\$84.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 55% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 20% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest suppliers of the Group.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31st March, 2004, save and except that all independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 28 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

MR. LIN DONG

DIRECTOR

Hong Kong, 16th July, 2004