

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries consist of the marketing and distribution of pharmaceutical products to customers in Mainland China; the development, manufacture and sale of pharmaceutical products in Mainland China; the business of commercial exploitation of certain gene inventions; and the research on genome related technology and the development and manufacture of genechips in Mainland China.

In August 2004, the Group disposed of its business of development and manufacture of genechips via the disposal of Gene Generation Limited and its subsidiaries (the "GGL Group"). During the year, the Group acquired a 51% equity interest in Smart Ascent Limited, which holds a subsidiary involved in the development and commercialisation of oral insulin products.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 69.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 70 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share option scheme are set out in notes 28 and 29 to the financial statements, respectively.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2005, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK\$53,734,000 as computed in accordance with the Bermuda Companies Act 1981. In addition, the Company's share premium account with a balance of HK\$133,717,000 as at 31 March 2005 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 55% of the total sales for the year and sales to the largest customer included therein amounted to 20%. Purchases from the Group's five largest suppliers accounted for 63% of the total purchases for the year and purchases from the largest supplier included therein amounted to 59%.

None of the directors of the Company or any of their associates, or any shareholders of the Company which, to the 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.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mao Yu Min
Ho Chin Hou
Ho Yu Ling
Li Qiang
Xie Yi

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song (appointed on 28 September 2004)

In accordance with the Company's bye-law 111, Messrs. Ho Yu Ling and Li Qiang will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with the Company's bye-law 115, Ms. Jin Song will retire at the forthcoming annual general meeting and, being eligible, will offer herself for re-election.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has received annual confirmations of independence from Messrs. Fang Lin Hu, Xue Jing Lun and Jin Song and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

Report of the Directors

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of 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 Issuers (the "Model Code"), were as follows:

1. Long positions in ordinary shares of the Company

Name of director	Notes	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Total	
Mao Yu Min	(a)	–	680,000,000	680,000,000	29.7
Xie Yi	(a)	–	680,000,000	680,000,000	29.7
Ho Yu Ling	(b)	–	102,000,000	102,000,000	4.5
Li Qiang		15,000,000	–	15,000,000	0.7

Notes:

- (a) JNJ Investments Ltd. ("JNJ Investments"), Fudan Pharmaceutical Limited ("FPL"), Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow") and Fudan Biotech (Hong Kong) Limited ("Fudan Biotech") own 500,000,000, 30,000,000, 74,000,000 and 76,000,000 ordinary shares of the Company, respectively. The entire issued share capital of JNJ Investments and an 80% interest in FPL are owned by HK Biowindow, which in turn is 99.01% owned by United Gene Holdings Limited ("United Gene") and 0.99% owned by Shanghai Biowindow Gene Development Co., Ltd. ("Shanghai Biowindow").

The issued share capital of Fudan Biotech is 99% owned by Shanghai Fudan Biotech Limited ("Shanghai Fudan Biotech"). The capital of Shanghai Fudan Biotech is 75% beneficially owned by Shanghai Biowindow.

The capital of Shanghai Biowindow is 60% owned by United Gene, 13.575% owned by Dr. Xie Yi ("Dr. Xie") and 13.575% owned by Ms. Sheng Xiao Yu, who is the spouse of Dr. Mao Yu Min ("Dr. Mao"). The capital of United Gene is 33.5% beneficially owned by Dr. Mao and 33.5% beneficially owned by Dr. Xie. Dr. Mao and Dr. Xie are each deemed to be interested in 680,000,000 ordinary shares of the Company by virtue of their interest in United Gene.

- (b) These shares are owned by Well Success Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Ho Yu Ling.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Cont'd)

2. Long positions in shares of associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital/paid-up capital
Ho Chin Hou	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares (note)	Through controlled corporation	100% of the non-voting deferred shares
Ho Yu Ling	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares (note)	Through controlled corporation	100% of the non-voting deferred shares

Note: Extrawell Holdings Limited ("EHL"), a related company of the Group, owns 100,000 non-voting deferred shares of HK\$10 each in Extrawell Enterprises Limited. The beneficial shareholders of EHL are Messrs. Ho Chin Hou and Ho Yu Ling.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Cont'd)

At 31 March 2005, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
United Gene	Through controlled corporations	680,000,000	29.7
HK Biowindow	Directly beneficially owned	74,000,000	3.2
	Through controlled corporations	530,000,000	23.2
		604,000,000	26.4
JNJ Investments	Directly beneficially owned	500,000,000	21.8

Note: United Gene was deemed to be interested in 680,000,000 ordinary shares of the Company by virtue of its interest in JNJ Investments, FPL, HK Biowindow, Fudan Biotech and Shanghai Biowindow. HK Biowindow was deemed to be interested in 530,000,000 ordinary shares of the Company by virtue of its interest in JNJ Investments and FPL. These interests have also been included in the corporate interests of Dr. Mao and Dr. Xie as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 31 March 2005, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

On 31 March 2004, the Group, Shanghai Biowindow and Bioraise High-Tech Investment Ltd., Shanghai ("Bioraise"), a company established in the PRC in which Dr. Mao and Dr. Xie have beneficial interests, entered into several debt transfer agreements (the "Transfer Agreements"). Pursuant to the Transfer Agreements, the total amount due from Bioraise of approximately HK\$9,171,000 was taken up by Shanghai Biowindow during the year.

Details of the terms of balances with Shanghai Biowindow and Bioraise are disclosed in note 22 to the financial statements. The amount due from Shanghai Biowindow was fully settled during the year prior to the disposal of the GGL Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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 throughout the accounting period covered by the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has established an Audit Committee (the "Committee"), with written terms of reference, in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises three independent non-executive directors. The Group's financial statements for the year ended 31 March 2005 have been reviewed by the Committee. The Committee is of the opinion that such financial statements comply with the applicable accounting standards, and stock exchange and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Mao Yu Min
Chairman

Hong Kong
26 July 2005