

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st March, 2005.

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, 2005 are set out in the consolidated income statement on page 21.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 20 to the financial statements.

SHARE OPTIONS

Details of share options are set out in note 21 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 24 and note 22 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent an aggregate amount of approximately HK\$4.1 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\$53.2 million of property, plant and equipment acquired on acquisition of subsidiaries during the year.

Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

Directors' Report

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 (*Chairman*)

Mr. Lin Dong (*Chief Executive Officer*)

Mr. Feng Xiang Cai

Independent non-executive directors:

Mr. Qiu Yiyong

Ms. Jin Jane

Mr. Yin Dakui

(appointed on 1st September, 2004)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Lin Dong and Mr. Yin Dakui retire and, being eligible, offers themselves 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, 2005, the interests and short positions of the directors and their respective associates in the shares, underlying shares and debentures 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

Directors' Report

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:

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	Held by controlled corporation	852,000,000	60.36%

Ms. Zhang Cheng beneficially owns and controls Guardwell Investments Limited ("Guardwell") which owns 852,000,000 shares of the Company. Accordingly, Ms. Zhang is deemed to be interested in the shares held by Guardwell.

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, 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in respect of the directors' interests in securities and note 21 to the financial statements, at no time during the year was the Company, its holding 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, 2005, 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 following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Directors' Report

Long positions in ordinary shares of HK\$0.05 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Ms. Zhang Cheng (Note 1)	Held by controlled corporation	852,000,000	60.36%
Guardwell Investments Limited (Note 1)	Beneficial owner	852,000,000	60.36%
Mr. Wang Jin Song (Note 2)	Held by controlled corporation	129,400,827	9.17%
Ankeen Enterprises Limited (Note 2)	Held by controlled corporation	129,400,827	9.17%
Shenzhen Neptunus Group Co., Ltd. (Note 2)	Held by controlled corporation	129,400,827	9.17%
Shenzhen Neptunus Bioengineering Co., Ltd. (Note 2)	Held by controlled corporation	129,400,827	9.17%
Advance Year Company Inc. (Note 2)	Held by controlled corporation	129,400,827	9.17%
Landstar Investments Limited (Note 2)	Beneficial owner	129,400,827	9.17%
China Life Trustees Limited (Note 3)	Trustee	100,000,000	7.08%
China Life Insurance (Overseas) Co. Ltd. Hong Kong Branch (Note 3)	Held by controlled corporation	100,000,000	7.08%

Notes:

- Ms. Zhang Cheng beneficially owns and controls Guardwell. Accordingly, Ms. Zhang is deemed to be interested in the shares held by Guardwell.
- Mr. Wang Jin Song ("Mr. Wang") beneficially owns 85% interests in Ankeen Enterprises Limited ("AEL"). AEL beneficially owns 41.93% interests in Shenzhen Neptunus Group Co., Ltd. ("SNGCL"). SNGCL beneficially owns 49.08% interests in Shenzhen Neptunus Bioengineering Co., Ltd. ("SNBCL"). SNBCL beneficially owns 100% interests in Advance Year Company Inc. ("AYCI"). AYCI beneficially owns 100% interests in Landstar Investments Limited ("LIL") which owns 129,400,827 ordinary shares of the Company.

Accordingly, Mr. Wang, AEL, SNGCL, SNBCL and AYCI are deemed to be interested in the 9.17% shares held by LIL.
- China Life Trustees Limited is accustomed to act in accordance with directors of China Life Insurance (Overseas) Co. Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31st March, 2005, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company, its holding 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.

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 48% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 18% 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.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audit committee consists of all independent non-executive directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of interim and annual financial statements.

Directors' Report

CORPORATE GOVERNANCE

Code of best practice

In the opinion of the directors, the Company has compliance throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was still in force prior to 1st January, 2005 and remains applicable to the year under review, save that the independent non-executive directors of the Company were not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Code of conduct regarding securities transactions by directors

The Company has adopted the "Model Code" set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all directors, all directors confirmed that they had complied with the required standard set out in the "Model Code".

18

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

LIN DONG

DIRECTOR

Hong Kong, 15th July, 2005