

"Our group has achieved another year of profitable performance..."

EXTRAWELL PHARMACEUTICAL



Mr. Ho Chin Hou
Chairman

Chairman's Statement

I am pleased to announce that our Group has achieved another year of strong performance for the year ended 31 March 2001, surpassing significantly in profits recorded in year 2000. This is a firm milestone for the Group which is now set for greater achievements this upcoming year.

The Group's attributable profit of HK\$20.5 million, is a 46.4% growth compared to HK\$14.0 million in the previous year. Turnover rose to HK\$135.1 million from HK\$127.0 million in the previous year. Net asset per share rose by 20.8% to HK6.27 cents from HK5.19 cents in the year 2000. Basic earnings per share at HK1.08 cents is 45.9% higher than HK0.74 cents against last year.

A recovery in our imported distribution business saw operating profits for this sector improved against last year by 7.5% to HK\$12.9 million from HK\$12.0 million in last year. This year has opened the way for intensive sales and marketing activities to strengthen awareness in the market for our blockbuster products in the therapeutic areas of the Central Nervous System and Cerebrovasculars. Our relatively new venture into nutritional products category by importing fresh milk and confectioneries into the PRC has contributed to the satisfactory operational profits at HK\$1.9 million in its second year of operations.

The manufacturing sector presented another year of robust growth in both turnover and operating profits. CEP, in which the Group has 80% stake in, mainly contributed to this strong performance. However, JECP, in which the Group has 60% stake in, fell short of turnover and profit level expectations. JECP was acquired in late 1999 and was in its first year of full scale production, marketing and sales activities. I would like to assure that this situation is only temporary and will very soon improve.

Shareholders will be pleased to note that other than achieving sound organic growth this year, several distinguished awards were accredited to the subsidiaries of the Group during the year. Testimonies include CEP being ranked amongst the top twenty profitable pharmaceutical companies in Changchun, Jilin Province, the PRC. For JECP, Merit Award was presented to its management by the Changchun Economic and Technical Board, in Changchun, Jilin Province, the PRC for good corporate management of tax and tax related matters.



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We will continue to strive for efficiency improvements in operational processes for both distribution and manufacturing operations. We will take bolder steps to meet the challenges in the rapid changing pharmaceutical environment in the PRC. We will fine-tune and create a winning formula for JECP. We will also maintain our conservatism of producing a strong financial balance sheet so that the necessary resources would be made available to allow us to capture any opportunity that arises.

I would like to extend a very warm welcome to our new directors to the board of directors (the "Board"). Their esteemed reputation and experience in research and development will further enhance the depth and breadth of experience already assembled within the Group.

I would also like to thank the Board, senior management and all our staff based in Hong Kong, the PRC, Malaysia and Australia for their dedication and commitment. Our achievements this year are the result of the concerted efforts and contribution of the entire team.

On behalf of the Board, I extend our gratitude to all our customers, suppliers, bankers and business associates for their continuing support.

We look forward to another successful year ahead with entrepreneurial vigor, vision and energy so as to achieving the best return for all shareholders.

Ho Chin Hou
Chairman

Hong Kong, 29 June 2001

