

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The nature of the principal activities of the subsidiaries have not changed during the year and consisted of the marketing and distribution of pharmaceutical products, health care and nutritional products, and medical appliances and equipment to customers in The People's Republic of China (the "PRC"); and the development, manufacture and distribution of pharmaceutical products in the PRC.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit before tax by principal activity for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit before tax	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Products distributed by the Group:				
Pharmaceutical products	63,739	69,978	10,159	8,639
Health care and nutritional products	6,466	15,026	1,944	1,308
Medical appliances and equipment	6,901	13,862	828	2,032
Products manufactured by the Group	58,053	28,112	12,511	4,134
	<u>135,159</u>	<u>126,978</u>	<u>25,442</u>	<u>16,113</u>

The Group's turnover and contribution to profit before tax were derived from sales to customers based in the PRC.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 40.

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

## SUMMARY FINANCIAL INFORMATION

The following is a summary of the combined/consolidated results and assets and liabilities of the Group for the last five financial years ended 31 March 2001 prepared on the bases set out in notes 1 and 2 below.

## RESULTS

	Year ended 31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	135,159	126,978	226,063	193,694	166,509
Operating profit	25,442	16,113	48,730	27,160	20,665
Share of profit of an associate	—	—	—	—	100
Profit before tax	25,442	16,113	48,730	27,160	20,765
Tax	(3,313)	(1,988)	(4,832)	(2,745)	(2,139)
Profit before minority interests	22,219	14,125	43,898	24,415	18,626
Minority interests	(1,589)	(82)	(1,560)	(423)	(508)
Net profit from ordinary activities attributable to shareholders	20,540	14,043	42,338	23,992	18,118

## ASSETS AND LIABILITIES

	31 March			
	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	60,974	45,825	8,117	5,751
Intangible assets	10,727	9,091	—	—
Long term deposits	—	20,500	—	—
Current assets	131,867	100,716	158,792	146,665
Total assets	203,568	176,132	166,909	152,416
Current liabilities	(61,394)	(54,583)	(62,819)	(66,345)
Due to a minority equity holder	(9,091)	(9,091)	—	—
Total liabilities	(70,485)	(63,674)	(62,819)	(66,345)
Minority interests	133,083	112,458	104,090	86,071
Net assets	119,130	98,590	101,047	84,588

### Notes:

- The summary of the combined results of the Group for each of the two years ended 31 March 1998 has been extracted from the Company's prospectus dated 25 February 1999 (the "Prospectus"). This summary was prepared based on the audited financial statements of the companies now comprising the Group, after appropriate adjustments and reclassifications, as if the Group structure as set out in the Prospectus had been in existence throughout these financial years.
- As the Company was incorporated on 8 December 1998, the only combined/consolidated balance sheets that have been prepared to date are those as at 31 March 1998, 1999, 2000 and 2001. The combined/consolidated balance sheets as at 31 March 1998 and 1999 have been extracted from the published financial statements for the year ended 31 March 1999. The combined balance sheet as at 31 March 1998 has been prepared on the basis as if the Group had been in existence as at that date.

## **FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

## **BORROWINGS**

Details of the Group's borrowings as at 31 March 2001 are set out in note 19 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of the Company's share capital and share option scheme are set out in note 20 to the financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

## **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.

## **DISTRIBUTABLE RESERVES**

As at 31 March 2001, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK\$61,685,000 as computed in accordance with The Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK\$19,321,000 as at 31 March 2001 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 38.8% of the total sales for the year and sales to the largest customer included therein amounted to 15.7%. Purchases from the Group's five largest suppliers accounted for 62.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 24.0%.

As far as the directors are aware, neither the directors, their associates, nor any shareholders, 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 during the year.