

### Outlook

The Group will continue its current aggressive plans to define and carry out new attributes of growth, for acceleration of revenue and greater yield in the second half of the year.

#### *Enhance the Product Portfolio of Imported Ethical Drugs*

Capitalizing on continued cordial relationship with major international pharmaceutical manufacturers, the Group continues to review and evaluate together with its overseas suppliers/principals possible launches of new pharmaceutical products into the PRC market. Sales network will concurrently be expanded to allow wider distribution of the Group's pharmaceutical products.

#### *Broaden the Group's Base for Research and Development ("R&D")*

To further sustain an aggressive growth programme, management intends to broaden the Group's R&D base by co-operating with technical experts in relevant areas. Such technical expertise is generally viewed as essential propelling factor for future business growth. The Group has recently entered into negotiations in the PRC to operate a research and development centre to re-engineer the Group's existing products and to develop new products for its manufacturing segment.

#### *Opportunity to Co-operate with Strategic Investors*

In July of this year, a strategic investor, United Gene Holdings Limited, which specialises in DNA de-coding technology, development and manufacturing of DNA chips, became one of the Group's substantial shareholders. Management of United Gene Holdings Limited include leading well-known genetic and research academia from Fudan University, the PRC. Management believe this strategic alliance may offer new opportunities for the Group to commercially tap onto specialised genetically researched medical products.

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2001, the Group had 303 employees, of which 3 are in Australia, 3 are in Malaysia, 9 are in Hong Kong and 288 are in the PRC.

The Group has not experienced any significant problems with its employees or disruptions to the operations due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff.

The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with prevailing labour laws of its operating entities.

Pursuant to the Scheme, the board of directors of the Company are authorised on or before 9 March 2009, at their discretion, to invite any employee, including any executive director, of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The subscription price under the Scheme will be higher of 80% of the average closing price of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time which has been duly allotted and issued. The granting of options under the Scheme is also subject to the provisions set out in Chapter 17 of the Listing Rules, the latest amendments to which have become effective on 1 September 2001.

Up to the date of approval of this interim financial report, no share option had been granted under the Scheme.

#### **SEASONAL OR CYCLICAL FACTORS**

The Group's business operations were not significantly affected by any seasonal and cyclical factors except that extended statutory holidays in the PRC may lead to lower Group turnover and profit for the months in which these holidays are declared.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal bankers in Hong Kong. As at 30 September 2001, its four principal bankers are Industrial and Commercial Bank of China (Asia), Malayan Banking Berhad, Bank of East Asia and Dah Sing Bank.

During the 2001 Interim Period, the Group borrowed loans of approximately HK\$16.0 million from its bankers. The loans were used to finance the construction of a new factory in Jilin Province, the PRC. This ongoing project is also partly funded from internal generated funds within the Group. There were no significant changes in the Group's current ratio.

Except as mentioned above, there were no significant changes in the capital and loan structure of the Group during the 2001 Interim Period.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the period ended 30 September 2001, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

### AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2001.

By Order of the Board  
**Ho Yu Ling**  
*Executive Director*

Hong Kong, 12 November 2001