

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

### Principal activities

The principal activity of the Company is investment holding. During the year, the Group has commenced the business of commercial exploitation of certain gene inventions. Except for the above, the principal activities of the Company's 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.

### Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

### Results and dividends

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 47.

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 five financial years ended 31 March 2002 prepared on the bases set out in notes 1 and 2 below. Certain amounts in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends, as detailed in note 2 to the financial statements. The effect of this change in accounting policy is that a prior year adjustment has been made to reclassify the proposed final dividend of HK\$8,000,000 for the year ended 31 March 1999, which was recognised as a current liability at that year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Company's and the Group's current liabilities and increase the reserves previously reported as at 31 March 1999 by HK\$8,000,000.

## RESULTS

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>199,499</u>	<u>135,159</u>	<u>126,978</u>	<u>226,063</u>	<u>193,694</u>
Profit before tax	49,062	25,442	16,113	48,730	27,160
Tax	<u>(3,882)</u>	<u>(3,313)</u>	<u>(1,988)</u>	<u>(4,832)</u>	<u>(2,745)</u>
Profit before minority interests	45,180	22,129	14,125	43,898	24,415
Minority interests	<u>(3,178)</u>	<u>(1,589)</u>	<u>(82)</u>	<u>(1,560)</u>	<u>(423)</u>
Net profit from ordinary activities attributable to shareholders	<u>42,002</u>	<u>20,540</u>	<u>14,043</u>	<u>42,338</u>	<u>23,992</u>

## Summary financial information (continued)

### ASSETS AND LIABILITIES

	2002	2001	31 March 2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000
Fixed assets	87,329	60,974	45,825	8,117	5,751
Intangible assets	104,005	10,727	9,091	–	–
Long term deposits	–	–	20,500	–	–
Current assets	189,321	131,867	100,716	158,792	146,665
<b>Total assets</b>	<b>380,655</b>	<b>203,568</b>	<b>176,132</b>	<b>166,909</b>	<b>152,416</b>
Current liabilities	(120,693)	(61,394)	(54,583)	(54,819)	(66,345)
Due to a minority equity holder	(9,091)	(9,091)	(9,091)	–	–
<b>Total liabilities</b>	<b>(129,784)</b>	<b>(70,485)</b>	<b>(63,674)</b>	<b>(54,819)</b>	<b>(66,345)</b>
Minority interests	(23,666)	(13,953)	(13,868)	(3,043)	(1,483)
	<u>227,205</u>	<u>119,130</u>	<u>98,590</u>	<u>109,047</u>	<u>84,588</u>

#### Notes:

1. The summary of the combined results of the Group for the year 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 this financial year.
2. The Company was incorporated on 8 December 1998. 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 12 to the financial statements.

### Share capital

Details of movements in the Company's share capital during the year, together with the reasons therefor, 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.

### 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 the Group during the year are set out in note 22 to the financial statements.

## Distributable reserves

As at 31 March 2002, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK\$70,038,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK\$82,459,000 as at 31 March 2002 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 45.3% of the total sales for the year and sales to the largest customer included therein amounted to 28.0%. Purchases from the Group's five largest suppliers accounted for 40.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 25.5%.

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	(appointed on 11 June 2001)
Ho Chin Hou	
Ho Yu Ling	
Li Qiang	
Yu Ying Zhou	
Xie Yi	(appointed on 11 June 2001)
Zhang Xiao Qing	(appointed on 11 June 2001)
Wen Ming	(resigned on 29 June 2001)
Ho Yeong Fan	(resigned on 2 August 2001)
Ho Yu Pan	(resigned on 2 August 2001)

### *Independent non-executive directors:*

Fang Lin Hu	(appointed on 11 June 2001)
Xue Jing Lun	(appointed on 11 June 2001)
Lo Yiu Wai, Eddie	(resigned on 29 June 2001)
Ong Cheng Heang	(resigned on 2 August 2001)

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

The directors of the Company, including the 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.

## 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 13 to 16 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.

## Directors' interests in contracts

Save as disclosed in note 27 to the financial statements, no director had a material interest 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 in shares

As at 31 March 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

### 1. Ordinary shares of the Company

Name	Notes	Type of interest	Number of ordinary shares held
Mao Yu Min	(a)	Corporate	650,000,000
Xie Yi	(a)	Corporate	650,000,000
Ho Yu Ling	(b)	Corporate	102,000,000
Li Qiang		Personal	15,000,000

#### Notes:

- (a) JNJ Investments Limited ("JNJ Investments"), Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow") and Fudan Biotech (Hong Kong) Limited ("Fudan Biotech") owned 500,000,000, 74,000,000 and 76,000,000 ordinary shares of the Company, respectively. The entire issued share capital of JNJ Investments is owned by HK Biowindow, which in turn is 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 Holdings Limited ("United Gene") and 13.575% owned by Dr. Xie Yi ("Dr. Xie"). The capital of United Gene is 33.5% beneficially owned by Dr. Mao Yu Min ("Dr. Mao") and 33.5% beneficially owned by Dr. Xie. Dr. Mao and Dr. Xie were each deemed to be interested in 650,000,000 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.

### 2. Associated corporation

100,000 non-voting deferred shares of HK\$10 each in Extrawell Enterprises Limited, a wholly-owned subsidiary of the Company, are beneficially owned by Extrawell Holdings Limited, a related company of the Group in which Messrs. Ho Chin Hou, Ho Yu Ling and Li Qiang, the three directors and/or beneficial shareholders of the Company, have beneficial interests.

Save as disclosed above, as at 31 March 2002, none of the directors or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Share option scheme

The principal purpose of the share option scheme (the “Scheme”) is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group’s long term success and prosperity.

Eligible participants of the Scheme include any full-time employees of the Company and its subsidiaries, including any executive director but not non-executive director. The Scheme became effective on 10 March 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. These share options are exercisable at any time for a period from the commencement date and expiring on the last day of the period to be determined by the board of directors, or the tenth anniversary of the adoption date on 10 March 1999, whichever is the earlier.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 25% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the commencement of the exercise period of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than 80% of the average closing price of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days immediately preceding the date of the offer or the nominal value of the Company’s shares, whichever is higher.

Pursuant to the amendments (the “New Rules”) to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), any options granted after 1 September 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in future, a new share option scheme in compliance with the New Rules should be approved and adopted by the shareholders of the Company in a general meeting. A new share option scheme in compliance with the New Rules is proposed to be adopted in the forthcoming annual general meeting.

Up to 31 March 2002, no share options have been granted under the Scheme.

### Substantial shareholders

As at 31 March 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholders	Number of ordinary shares	
	Direct interest	Deemed interest (Note)
United Gene	—	650,000,000
Shanghai Biowindow	—	650,000,000
HK Biowindow	74,000,000	500,000,000
JNJ Investments	500,000,000	—

*Note:* United Gene and Shanghai Biowindow were each deemed to be interested in 650,000,000 ordinary shares of the Company by virtue of their interest in JNJ Investments, HK Biowindow and Fudan Biotech, and HK Biowindow was deemed to be interested in 500,000,000 ordinary shares of the Company by virtue of its interest in JNJ Investments as disclosed under the heading “Director’s interests in shares” above.

These interests have also been included in the corporate interests of Dr. Mao and Dr. Xie as disclosed under the heading “Director’s interests in shares” above.

Save as disclosed above, as at 31 March 2002, no person, other than the directors of the Company and the companies controlled by them, whose interests are set out in the section “Directors’ interests in shares” above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## Connected and related party transactions

Details of the connected and related party transactions are set out in note 27 to the financial statements.

## Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 28 to the financial statements.

## Compliance with the Code of Best Practice

In the opinion of the directors, the Company has 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.

## Audit committee

The Company has set up an Audit Committee (the “Committee”), with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The Group’s financial statements for the year ended 31 March 2002 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

**Mao Yu Min**  
*Chairman*

Hong Kong  
4 July 2002