

## • EXPENSES

Selling and distribution costs for the period under review amounted to HK\$46,941,000 (2001: HK\$25,062,000), accounting for 10.23% of turnover, increased by 87.30% when compared with the corresponding period of 2001. Such increase was due to the rise in advertising cost for expanding the distribution and sales network of the Group. Administrative expenses increased from the corresponding period of last year's HK\$12,492,000 to the current period's HK\$16,509,000. Such increase is due to the hiring of additional management professionals and related expenses, the increase in depreciation charge for the new manufacturing plant and the increase in amortization of goodwill and intangible assets.

## • FUTURE PROSPECTS

### Product Development

The Group will particular emphasis on the absorption of hi-tech research projects and professionals, with the aim of launching new product each and every year after 2003 and maintaining excellent development prospects for the Group.

### Horizontal and Vertical Integration of Business

With the steady growth of economy and the ongoing reform of the public health system in the PRC and its entry into the World Trade Organisation, the PRC market continues to provide a golden business opportunity for pharmaceutical producers. With the strong financial position of the Group, it will strive to capitalize on these favourable trends in acquiring other pharmaceutical companies with quality assets and an impressive category of registered medical products, similar to the strategical acquisition and re-engineering of Fujian Yannian Pharmaceutical Company Limited, Xiamen Talent Biotech Company Limited, 上海五洋藥業健康產品有限公司 and 安徽安慶藥製藥有限公司.

Looking ahead, the Group is fully confident of the prospects for its operation in the PRC pharmaceutical market. It will continue to push forward with the Group's high-quality medical products in the existing sales network, and will step up its efforts in exploring new drugs via biotechnology.