

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associate are set out in notes 16 and 17 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 90.

An interim dividend of HK3 cents per ordinary share, with a scrip alternative, was declared on 19 December 2003. On 3 February 2004, 1,576,711 ordinary shares of HK\$0.10 each were issued at an issue price of HK\$0.9558 each, representing an aggregate amount of approximately HK\$1,507,000, to the shareholders who elected to receive dividend, wholly or partly, by way of allotment of shares. Cash dividend with an aggregate amount of HK\$2,037,000 was paid on 3 February 2004.

The directors recommend the payment of a final dividend of HK7 cents per ordinary share in respect of the year, to shareholders on the register of members on 13 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 93 to 94. This summary does not form part of the audited financial statements.

### **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets of the Company and the Group and the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 91 to 92.

### **SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 30 and 31 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 which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

### **DISTRIBUTABLE RESERVES**

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to HK\$237,037,000 (2003: HK\$232,680,000). In addition, the Company's share premium account, in the amount of HK\$372,362,000 (2003: HK\$348,222,000), may be distributed in the form of fully paid bonus shares.

### **CHARITABLE CONTRIBUTIONS**

During the year, the Group made charitable contribution totalling HK\$61,000 (2003: HK\$81,300).

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2003: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 67% (2003: 64%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 54% (2003: 48%) of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best 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 suppliers.

## **DIRECTORS**

The directors of the Company during the year were:

### **Executive directors:**

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

### **Independent non-executive directors:**

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney, S.B.St.J.

In accordance with clause 87 of the Company's bye-laws, Dr. Lee Peng Fei, Allen will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

## **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 15 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 compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 38 to the financial statements, no director had a material interest, either directly or indirectly, 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 AND SHORT POSITIONS IN SHARES**

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

*Long positions in ordinary shares of the Company:*

<b>Number of shares held, capacity and nature of interest</b>							<b>Percentage of</b>
<b>Name of director</b>	<i>Note</i>	<b>Directly</b>	<b>Through</b>	<b>Through</b>	<b>Other</b>	<b>Total</b>	<b>the Company's</b>
		<b>beneficially</b>	<b>spouse</b>	<b>controlled</b>	<b>(Note (b))</b>		<b>issued</b>
		<b>owned</b>		<b>corporation</b>			<b>share capital</b>
Mr. Tang Ching Ho	(a)	1,268,355	1,268,354	2,247,227	25,563,463	30,347,399	20.79%
Ms. Yau Yuk Yin		1,268,354	29,079,045	–	–	30,347,399	20.79%
		2,536,709	30,347,399	2,247,227	25,563,463		

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

Notes:

- (a) The 2,247,227 shares are held by Caister Limited, which is beneficially owned by Mr. Tang Ching Ho.
- (b) Agreements were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang Ching Ho, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang Mui Fun, Karen and (iii) Mr. Yau Yuk Tong, all being the relatives of Mr. Tang Ching Ho, as a result of which, and for the purpose of Sections 317(1)(a) and 318 of the SFO, Mr. Tang Ching Ho was taken to be interested in the shares owned by them.

Save as disclosed above, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares" above and in the share option scheme disclosures in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

Concerning the share options granted during the year to the employees, as detailed in note 31, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because, in the absence of a readily market value of the options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these options.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

At 31 March 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions:*

Name	Notes	Number of shares	Percentage of the Company's issued share capital	Number of share options held (Note (c))
Caister Limited	(a)	30,347,399	20.79%	2,628,000
Ms. Tang Mui Fong	(a)	30,347,399	20.79%	2,628,000
Mr. Yau Yuk Tong	(a)	30,347,399	20.79%	2,628,000
Ms. Tang Mui Fun, Karen	(a)	30,347,399	20.79%	2,628,000
Ms. Chan Yuk Kuen	(b)	30,347,399	20.79%	2,628,000

*Notes:*

- (a) The shareholding of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun, Karen in the capital of the Company are also disclosed above as the corporate interests and other interests of Mr. Tang Ching Ho and Ms. Yau Yuk Yin under the heading "Directors' interests and short positions in shares".

As disclosed in Note (b) under the heading "Directors' interests and short positions in shares", Caister Limited, Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun, Karen were taken (for purposes of the duty of disclosure only) to be interested in a total of 30,347,399 shares in the capital of the Company.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES** (Cont'd)

- (b) Ms. Chan Yuk Kuen was taken to be interested under the SFO in those shares in which her spouse, Mr. Yau Yuk Tong was interested.
- (c) The details of the share options outstanding during the year are separately disclosed in note 31 to the financial statements.

Save as disclosed above, as at 31 March 2004, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short positions in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

**DISCLOSURE PURSUANT TO RULE 13.13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")**

As at 31 March 2004, the Group had provided the following financial assistance and guarantee to certain affiliated companies, which, in aggregate, exceeded 8% of the consolidated total assets of the Group as at 31 March 2004:

Name of affiliated company	% attributable interest held by the Company	Advances to affiliated company HK\$'000	Interest rate per annum %	Repayable on
Wai Yuen Tong Medicine Holdings Limited ("WYTH")	19.62	7,000	2%	30 March 2007
		36,500	3.8%	8 July 2005
		20,000	3%	30 March 2006
		315	Interest-free	8 July 2004
		3	Interest-free	30 September 2004
		1	Interest-free	31 March 2007
		63,819		

All of the advances are unsecured and were repaid on 29 June 2004.

The source of funding for such advances was by way of the Group's internal fundings.

In addition, during the year, a corporate guarantee in the amount of HK\$5,000,000 was given by the Company to a bank as a security of general banking facilities of HK\$5,000,000 granted to Luxembourg Medicine Company Limited, an indirect 99.79% owned subsidiary of WYTH. As at 31 March 2004, an aggregate amount of HK\$1,486,000 was utilised.

**DISCLOSURE PURSUANT TO RULE 13.13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")** (Cont'd)

The information extracted from the consolidated balance sheets as at 31 March 2004 of WYTH and its subsidiaries ("WYT Group") to which the Group has granted advances and provided guarantee is as follows:

Name	Total assets HK\$'000	Total liabilities HK\$'000	Minority interests HK\$'000	Net asset value HK\$'000
WYT Group	469,356	(115,451)	(212)	353,693

**POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

**CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

**AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

**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

**Tang Ching Ho**  
Chairman and Managing Director

Hong Kong, 9 July 2004