



## Management Discussion and Analysis

### RESULTS

For the year ended 31 December 2004, the Group's consolidated turnover was HK\$234 million, up 15% from HK\$204 million of last year. Profit after tax was HK\$68 million, representing an increase of 8% over last year. Gross profit margin improved from last year's 40% to 40.5%. Basic earnings per share were HK\$16.9 cents.

### SALE OF PRODUCTS

In 2004, the Group offered 40 types of products, which were all sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC. The Group's 4 major products together accounted for 63% of the total turnover.

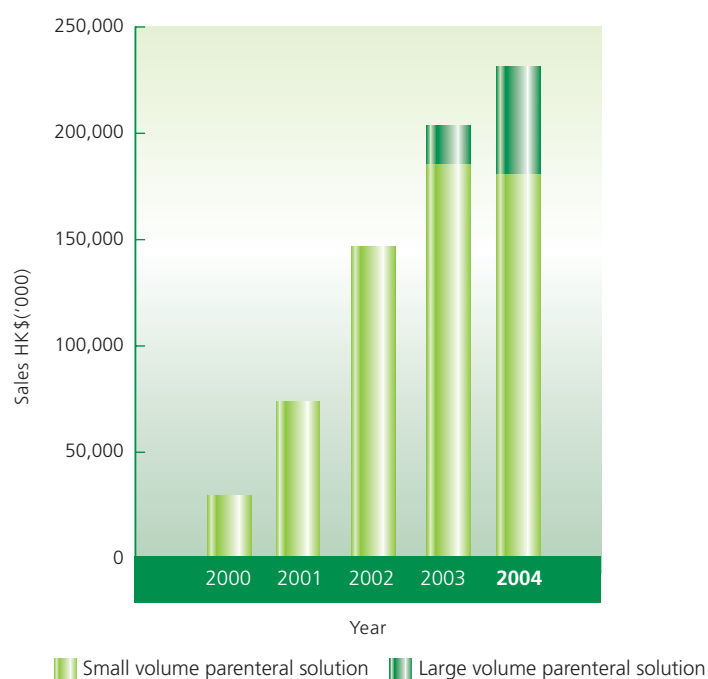
	Major Districts in the PRC									
	For the Year ended 31 December									
	2000		2001		2002		2003		2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Eastern region (Shanghai, Zhejiang province, Jiangxi province and Fujina province)	21,920	66	40,198	54	79,675	55	119,756	59	134,153	57.3
Southwestern Region (Yunan Province, Guizhou Province and Chongqing)	2,302	7	10,770	15	23,450	16	34,223	17	37,084	15.9
Southern Region (Guangdong Province and Guangxi Autonomous Region)	5,768	17	14,808	20	28,055	19	31,533	15	44,094	18.9
Northern Region (Beijing and Henan Province)	1,438	4	5,890	8	9,384	6	12,671	6	14,761	6.3
Central Region (Anhui Province and Hunan Province)	1,810	6	2,012	3	6,179	4	5,337	3	3,805	1.6
Total	33,238	100	73,678	100	146,743	100	203,520	100	233,897	100



	Type of Customers									
	For the Year ended 31 December									
	2000		2001		2002		2003		2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Distributors	29,959	90	66,827	91	134,638	92	178,164	88	<b>185,896</b>	<b>79</b>
Hospitals and Clinics	3,279	10	6,851	9	12,105	8	25,356	12	<b>48,001</b>	<b>21</b>
<b>Total</b>	<b>33,238</b>	<b>100</b>	<b>73,678</b>	<b>100</b>	<b>146,743</b>	<b>100</b>	<b>203,520</b>	<b>100</b>	<b>233,897</b>	<b>100</b>

Presented below is an analysis of the sales of large and small volume parenteral solution over the past few years:

## Sales Analysis of Large and Small Volume Parenteral Solution





### FINANCIAL INFORMATION

The Group had cash and bank balances totalling HK\$181 million as at 31 December 2004. As the Group had no outstanding bank loan on the same day, the gearing ratio was zero (2003: 0%). The current and quick ratios both improved, from 6.44 and 6.24 respectively in 2003 to 7.52 and 7.32 respectively in 2004. As at 31 December 2004, the debtors turnover period, inventory turnover period and creditors turnover period were 57 days, 10 days and 24 days respectively (2003: 96 days, 11 days and 42 days respectively).

Overall, the Group has a sound financial position to support its future development.

### CONTINGENT LIABILITIES

As at 31 December 2004, the Group and the Company did not have any significant contingent liability (2003: Nil).

### INTEREST RATE AND CURRENCY EXPOSURE

The Group has no material currency and interest rate exposure.

### CHANGES IN THE GROUP'S COMPOSITION

Since listing up to 31 December 2004, the Group did not acquire or sell any subsidiary.

### DIVIDENDS

In order to strengthen our competition and obtain our competitive advantage, the group have decided to further development and expansion of our existing production capacity and to identify potential companies for acquisition. So, the Board does not recommend payment of any final dividend for the year ended 31 December 2004 (2003: Nil).

### AUDIT COMMITTEE

The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group. Four meetings were held during the current financial year to review the unaudited interim financial statements for the 6 months ended 30 June 2004 and the audited financial statements for the year ended 31 December 2004.



### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2004, the Group had a total of 248 employees (2003: 243). The increase in headcount was to cater for operating needs. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.