

REPORT OF THE DIRECTORS

The directors of the Company (“**Directors**”) present their report and the audited financial statements of the Company and the group (“**Group**”) comprising the Company and its subsidiaries for the year ended 30 June 2005 (“**Year**”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. The principal activities of the Group include the research and development, manufacture and sales of gynecological medicine and medicinal healthcare products for women. 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 and the state of affairs of the Company and the Group at 30 June 2005 are set out in the financial statements on pages 37 to 92 of the annual report.

The Directors recommend the payment of a final dividend of HK2 cents per ordinary share of the Company (“**Share**”) in respect of the Year, to the shareholders whose names appear on the register of members of the Company on 23 November 2005. The proposed dividend will be paid on or about 28 February 2006 if the recommendation is approved by the shareholders at the forthcoming annual general meeting (“**Annual General Meeting**”) of the Company to be held on 23 November 2005. 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 Company’s prospectus dated 28 November 2002 and the audited financial statements and reclassified as appropriate, prepared on the basis set out therein, on page 92 of the annual report. This summary does not form part of the audited financial statements of the Group.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the Year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s share capital and share options during the Year, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements respectively.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of associations or the laws of the Cayman Islands, being the jurisdiction in which the Company was 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 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 32b to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22. (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$359,264,000, of which HK\$17,415,000 has been proposed as a final dividend for the Year. The amount of HK\$340,479,000 (*note 32b*) standing to the credit of the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the Year.

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DIRECTORS

The Directors during the Year were:

Executive Directors:

Mr. Zhang Peter Y.
Mr. Xu Peng
Mr. Deng Jie
Mr. Long Xian Feng
Mr. Wu Xian Peng

Non-executive Directors:

Mr. Wee Ee Lim (*Mr. Tarn Sien Hao as his alternate*) (appointed on 10 June 2005)
Mr. Han Ah Kuan (*Mr. Ong Sian Hin as his alternate*) (appointed on 10 June 2005)

Independent non-executive Directors:

Professor Kung Hsiang Fu
Professor Tso Wung Wai
Mr. Hon Yiu Ming, Matthew (appointed on 27 September 2004)

In accordance with the existing article 108(A) of the Company's articles of association, Mr. Long Xian Feng will retire from the office of directorship by rotation and, being eligible, will offer himself for re-election at the Annual General Meeting.

Further, according to the existing article 112 of the Company's articles of association, any Director appointed by the Directors as additional Director of the Company, under that article, shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election at the meeting. Pursuant to such article, the office of directorship of each of Mr. Wee Ee Lim and Mr. Han Ah Kuan, who was appointed as a non-executive Director on 10 June 2005, will end at the Annual General Meeting. Each of Mr. Wee Ee Lim and Mr. Han Ah Kuan, being eligible for re-election, will offer himself for re-election at the Annual General Meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence from the Group. The Company considers that each of such Directors to be independent from the Group based on the guidelines set out in Rule 3.13 of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 21 of the annual report.

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DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 September 2002, which is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party on the other.

The independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

Apart from the foregoing, no Director proposed for re-election at the 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

Apart from the transactions disclosed in note 36 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, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2005, the interests and short positions of the Directors and chief executive of the Company in the share or underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SF Ordinance")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	The Company/ name of associated corporation	Capacity	Number and class of Securities/percentage in equity interest (Note 1)	Approximate percentage of interest
Zhang Peter Y.	The Company	Interest of controlled corporation	308,758,783 Shares (L) (Note 2a)	35.46%
	The Company	Beneficial owner	600,000 Shares (L) (Note 2b)	0.07%
Xu Peng	The Company	Beneficial owner	600,000 Shares (L) (Note 2b)	0.07%

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Name of Directors	The Company/ name of associated corporation	Capacity	Number and class of Securities/percentage in equity interest (Note 1)	Approximate percentage of interest
Deng Jie	Guizhou Hanfang Xifeng Medical Industry Co., Ltd. ("GHXM")	Interest of controlled corporation	5% (L) (Note 3)	5%

Notes:

- The letter "L" represents the Director's interests in the shares and underlying shares or, as the case may be, the equity interest of the Company or its associated corporations.
- These 308,758,783 Shares were held by Bull's-Eye Limited ("BEL"), more than one-third of the issued share capital of which is beneficially by Zhang Peter Y. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SF Ordinance, Zhang Peter Y. is deemed to be interested in all the Shares held by BEL.
 - These Shares were Shares which would be allotted and issued upon the exercise in full of the options granted to each of Zhang Peter Y. and Xu Peng under share option scheme of the Company ("Scheme"). These options, all of which remained exercisable as at 31 December 2004, are exercisable at the subscription price of HK\$0.64 per Share at any time during a period of two years commencing from and including 1 September 2004 to 31 August 2006.
- These equity interests were held by Guiyang Headboy Kids Accessories Company Limited ("GHKA"), which is beneficially owned as to 95% by Deng Jie and as to the remaining 5% by Long Xian Feng. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SF Ordinance, Deng Jie is deemed to be interested in the equity interests in GHXM held by GHKA.

Save as disclosed above, as at 30 June 2005, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the options granted to the Directors under the Scheme and outstanding as at 30 June 2005 were as follows:

Name of Director	Date of grant	Number of underlying Shares				Outstanding as at 30 June 2005	Exercise price per share (HK\$)	Exercise period
		Outstanding as at 1 July 2004	Granted during the Year	Exercised during the Year	Lapsed during the Year			
Zhang Peter Y.	1/09/2004	–	600,000	–	–	600,000	0.64	01/09/2004 to 31/08/2006
	16/05/2003	500,000	–	–	500,000	–	1.19	16/05/2003 to 15/05/2005
Xu Peng	1/09/2004	–	600,000	–	–	600,000	0.64	01/09/2004 to 31/08/2006
	16/05/2003	500,000	–	–	500,000	–	1.19	16/05/2003 to 15/05/2005
Deng Jie	1/09/2004	–	6,000,000	6,000,000	–	–	0.64	01/09/2004 to 31/08/2006
	16/05/2003	5,000,000	–	–	5,000,000	–	1.19	16/05/2003 to 15/05/2005
Long Xian Feng	1/09/2004	–	6,000,000	6,000,000	–	–	0.64	01/09/2004 to 31/08/2006
	16/05/2003	5,000,000	–	–	5,000,000	–	1.19	16/05/2003 to 15/05/2005
Wu Xian Peng	1/09/2004	–	6,000,000	6,000,000	–	–	0.64	01/09/2004 to 31/08/2006
	16/05/2003	5,000,000	–	–	5,000,000	–	1.19	16/05/2003 to 15/05/2005
Wee Ee Lim	–	–	–	–	–	–	–	–
Han Ah Kuan	–	–	–	–	–	–	–	–

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Name of Director	Date of grant	Number of underlying Shares				Outstanding as at 30 June 2005	Exercise price per share (HK\$)	Exercise period
		Outstanding as at 1 July 2004	Granted during the Year	Exercised during the Year	Lapsed during the Year			
Kung Hsiang Fu	1/09/2004	–	500,000	500,000	–	–	0.64	01/09/2004 to 31/08/2006
	16/05/2003	250,000	–	–	250,000	–	1.19	16/05/2003 to 15/05/2005
Tso Wung Wai	1/09/2004	–	500,000	500,000	–	–	0.64	01/09/2004 to 31/08/2006
Hon Yiu Ming Matthew	–	–	–	–	–	–	–	–
		<u>16,250,000</u>	<u>20,200,000</u>	<u>19,000,000</u>	<u>16,250,000</u>	<u>1,200,000</u>		

Other than as disclosed above, at no time during the Year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors 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 Company operates the Scheme, which was adopted pursuant to a resolution in writing passed by all shareholders on 25 November 2002, for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. The Scheme became effective on 25 November 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

- (i) any employee or proposed employee (whether full time or part time) of the Group or any entity (“**Invested Entity**”) in which any member of the Group holds any equity interest (including any executive director but excluding any non-executive director of the Group or any Invested Entity);
- (ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;

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- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any company wholly owned by one or more of the eligible participants referred to in (i) to (vii) above.

As at the date of this report, the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme and any other share option scheme of the Group is 66,616,200, representing 10% of the issued share capital of the Company as at 29 November 2004, being the date of the 2004 annual general meeting of the Company at which an ordinary resolution was passed by the shareholders approving the renewal of the 10% mandate under the Scheme.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, in 12-month period up to and including the date of grant, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The subscription price for shares under the Scheme shall be a price determined by the Board, but shall not be less than the highest of:

- (i) the closing price of shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

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(iii) the nominal value of the shares of the Company.

Options to subscribe for an aggregate of 65,600,000 Shares were granted to eligible participants during the Year.

The options granted are not recognised in the financial statements until they are exercised, no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the options, the resulting Shares to be issued will be recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the exercise price per share over the nominal value of the Shares will be recorded by the Company in the share premium account. Movement of the options to subscribe for Shares granted under the Scheme during the Year was as follows:

Class of grantee	Date of grant	Number of underlying Shares				Outstanding as at 30 June 2005	Exercise price per share (HK\$) (Note 4)	Exercise period
		Outstanding as at 1 July 2004	Granted during the Year	Exercised	Lapsed			
Directors (Note 1)	16/05/2003	16,250,000	–	–	16,250,000	–	1.19	16/05/2003 to 15/05/2005
	1/09/2004 (Note 3)	–	20,200,000	19,000,000	–	1,200,000	0.64	01/09/2004 to 31/08/2006
Other employees (Note 2)	16/05/2003	25,100,000	–	–	25,100,000	–	1.19	16/05/2003 to 15/05/2005
	1/09/2004 (Note 3)	–	30,900,000	25,500,000	–	5,400,000	0.64	01/09/2004 to 31/08/2006
Advisers to the Group	16/05/2003	13,500,000	–	–	13,500,000	–	1.19	16/05/2003 to 15/05/2005
	1/09/2004 (Note 3)	–	14,500,000	7,500,000	–	7,000,000	0.64	01/09/2004 to 31/08/2006
		<u>54,850,000</u>	<u>65,600,000</u>	<u>52,000,000</u>	<u>54,850,000</u>	<u>13,600,000</u>		

Notes:

- Details of options granted to each of the Directors are set out in the paragraph headed “Directors’ rights to acquire shares or debentures” in this report above.
- Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
- The closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on 31 August 2004, being the trading day immediately preceding the date of grant of the options on 1 September 2004, was HK\$0.62 per Share.

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4. The weighted average closing price of the Shares immediately before the dates on which options were exercised during the Year is HK\$0.86.
5. None of the options granted under the Scheme have been cancelled during the Year.

During the Year, options to subscribe for an aggregate of 54,850,000 Shares lapsed, and no option was cancelled.

The Directors consider that it is not appropriate to state the value of the share options granted to the eligible participants during the Year on the ground that there are serious limitations in the application of the Black-Scholes Model and the Binominal Model in the valuation of share options, especially there are a number of variables which are crucial to the calculation of the options value thus rendering such value not being able to be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

Subject to the earlier termination of the Scheme in accordance with the rules governing the Share Option Scheme, the Scheme will expire on 25 November 2012.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SF ORDINANCE

As at 30 June 2005, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of shareholder	Number of Shares (Note 1)	Nature of interest	Approximate percentage of interest
BEL (Note 2)	308,758,783 (L)	Beneficial owner	35.46%
Liu Yu (Note 3)	309,358,783 (L)	Interest of spouse	35.53%
Haw Par Corporation Limited (Note 4)	183,532,400 (L)	Interest of controlled corporation	21.08%
Haw Par Pharmaceutical Holdings Pte. Ltd. (Note 4)	183,532,400 (L)	Beneficial owner	21.08%
Daiwa SB Investments (HK) Limited	48,500,000 (L)	Investment manager	5.57%
Value Partners Limited	46,100,000 (L)	Investment manager	5.29%
Neon Liberty Capital Management, LLC	44,180,000 (L)	Investment manager	5.07%
UBS AG	44,180,000 (L)	Person having a security interest in shares	5.07%

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Notes:

1. The letter “L” represents the person’s or the entity’s interests in Shares.
2. More than one-third of the issued share capital of BEL is beneficially owned by Zhang Peter Y. By virtue of the provisions of Divisions 2 and 3 of part XV of the SF Ordinance, Zhang Peter Y., an executive Director, is deemed to be interested in all the Shares held by BEL.
3. Liu Yu is the wife of Zhang Peter Y., an executive Director, and is deemed to be interested in the shares and underlying shares in the Company in which Zhang Peter Y. is interested under the provisions of Divisions 2 and 3 of part XV of the SF Ordinance.
4. Haw Par Pharmaceutical Holdings Pte. Ltd. is a wholly owned subsidiary of Haw Par Corporation Limited, a company incorporated in Singapore whose shares are listed on the Singapore Exchange Securities Trading Limited. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance, Haw Par Corporation Limited is deemed to be interested in all Shares in which Haw Par Pharmaceutical Holdings Pte. Ltd is interested.

Save as disclosed above, as at 30 June 2005, no person, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SF Ordinance.

CONNECTED TRANSACTIONS

Save as disclosed in note 36 to the financial statements, there are no transactions which should be disclosed in the annual report as connected transactions in accordance with the requirements of the Listing Rules.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following disclosures are included in respect of one of the Company’s loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company:

On 16 September 2004, a loan agreement was entered into between the Company and certain financial institutions in Hong Kong (“**Loan Agreement**”), which contains specific performance obligations on Mr. Zhang Peter Y. and Mr. Xu Peng.

The Loan Agreement is for a term loan facility of up to HK\$100,000,000, the final maturity date of which shall be the date falling 36 months from the date of the Loan Agreement (i.e. 15 September 2007).

The Loan Agreement provides that so long as there remains any money outstanding under the Loan Agreement: (1) Mr. Zhang shall continue to be the chairman and (save and except BEL) the person with the single largest attributable shareholding in the Company; (2) Mr. Xu shall continue to be a director of the Company and (save and except BEL) the person with the second single largest attributable shareholding in the Company; and (3) Mr. Zhang and Mr. Xu shall collectively maintain, directly or indirectly, not less than 35% of the issued share capital of the Company, free from any encumbrances and shall collectively deposit not less than 35% of the issued share capital of the Company with a custodian acceptable to the majority lenders.

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A breach of any of the above specific performance obligations would constitute a default under the Loan Agreement. Such default would permit the lenders to accelerate the maturity of the indebtedness under the Loan Agreement.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 4 June 2005 the Company entered into a subscription agreement (“**Subscription Agreement**”) with Haw Par Pharmaceutical Holdings Pte. Ltd. (“**Haw Par**”), whereby Haw Par has conditionally agreed to subscribe for 133,232,400 new Shares (“**Subscription Shares**”), having an aggregate nominal value of HK\$13,323,240 and representing approximately 18.67% of the issued share capital of the Company as at the date of the Subscription Agreement and approximately 15.30% of the issued share capital of the Company as at 10 June 2005, being the completion date of the Subscription Agreement, as enlarged by the allotment and issue of the Subscription Shares, at HK\$0.86 per Subscription Share (“**Subscription**”). On 10 June 2005, completion of the Subscription Agreement took place and the Subscription Shares were allotted and issued to Haw Par under the general mandate granted to the Board at the Annual General Meeting of the Company held on 29 November 2004

Haw Par, which is a company incorporated in Singapore, is a wholly-owned subsidiary of Haw Par Corporation Limited whose shares are listed on the Singapore Stock Exchange.

The subscription price per Subscription Share represents (i) a discount of 3.59% to HK\$0.89, being the average closing price per Share for the five consecutive trading days prior to the date of the Subscription Agreement (being from 30 May 2005 to 3 June 2005) as quoted on the Stock Exchange and (ii) a discount of 5.49% to HK\$0.91, being the closing price per Share on 3 June 2005, being the last trading day immediately before the date of the Subscription Agreement, as quoted on the Stock Exchange, given that the date of the Subscription Agreement was a non-trading day.

The net proceeds of the Subscription amounts to approximately HK\$108.9 million in cash, and the net price per Subscription Share is HK\$0.82. As at the date of this report, less than 10% of the net proceeds has been utilised by the Group as general working capital of the Group. The remaining net proceeds is deposited in interest-bearing accounts with licensed banks.

The Directors believe that, as a result of the Subscription, the Group has formed a strategic alliance with Haw Par Corporation Limited, of which Haw Par is a wholly-owned subsidiary. Since Haw Par Corporation Limited is a renowned and long-established multi-national pharmaceutical enterprise, such alliance is conducive to faster and better growth and development of the Group’s business. Incidentally, the Subscription has enlarged the shareholders’ and capital base of the Company and provided resources for the development of the business of the Group.

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SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

CORPORATE GOVERNANCE

The Group has complied throughout the Year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the List of Securities on The Stock Exchange of Hong Kong Limited in force immediately before 1 January 2005, except that the independent non-executive Directors are not appointed for a fixed term.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

On 20 September 2002 the Company adopted its securities dealing code (“**Substituted Code**”) regarding the dealings of the Directors and members of the senior management of the Group in securities of the Company on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules then in force.

The Company adopted on 27 September 2004 its new securities dealing code (“**New Code**”) on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in the revised Appendix 10 to the Listing Rules which came into effect on 31 March 2004.

The Company, having made specific enquiry with all Directors, is not aware of any non-compliance by any Director during the Year with the New Code or, as the case may be, the Substituted Code and Appendix 10 to the Listing Rules then in force.

AUDIT COMMITTEE

The Board established the audit committee (“**Committee**”) on 20 September 2002 and re-constituted the Committee on 27 September 2004 and 5 September 2005, in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the financial reporting procedure process and internal controls of the Group. The Committee comprises Mr. Han Ah Kuan, a non-executive Director, and the three independent non-executive Directors. The Group’s financial statement for the Year have been reviewed by the Committee, who are of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

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AUDITORS

Ernst & Young will retire, and a resolution for their reappointment as auditors of the Company will be proposed, at the Annual General Meeting.

On behalf of the Board

Zhang Peter Y.
Chairman

Hong Kong
28 October 2005