

Management Discussion and Analysis

RESULTS

For the year ended 31 December 2005, the Group's consolidated turnover was HK\$260 million, up 11% from HK\$234 million of last year. Profit after tax was HK\$66 million, representing a decrease of 2% over last year. Gross profit margin was approximately 40% (2004: 41%). The new production facilities commencement of trial production in the second half of 2005, generating a sales of approximately HK\$20 million (2004: Nil) in merely three months. Total sales of large volume parenteral solution amounted to approximately HK\$61 million (2004: HK\$54 million). Basic earnings per share were HK\$16.5 cents.

SALE OF PRODUCTS

As at 31 December 2005, the Group offered 60 types of products in different forms, 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.

	Major Districts in the PRC									
	For the Year ended 31 December									
	2001		2002		2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Eastern region (Shanghai, Zhejiang province, Jiangxi province and Fujian province)	40,198	54	79,675	55	119,756	59	134,153	57	158,081	61
Southwestern Region (Yunnan Province, Guizhou Province and Chongqing)	10,770	15	23,450	16	34,223	17	37,084	16	33,646	13
Southern Region (Guangdong Province and Guangxi Autonomous Region)	14,808	20	28,055	19	31,533	15	44,094	19	49,159	19
Northern Region (Beijing and Henan Province)	5,890	8	9,384	6	12,671	6	14,761	6	14,340	5
Central Region (Anhui Province and Hunan Province)	2,012	3	6,179	4	5,337	3	3,805	2	4,606	2
Total	73,678	100	146,743	100	203,520	100	233,897	100	259,832	100

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	Type of Customers									
	For the Year ended 31 December									
	2001		2002		2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Distributors	66,827	91	134,638	92	178,164	88	185,896	79	197,246	76
Hospitals and Clinics	6,851	9	12,105	8	25,356	12	48,001	21	62,586	24
Total	73,678	100	146,743	100	203,520	100	233,897	100	259,832	100

FINANCIAL INFORMATION

The Group had cash and bank balances totalling HK\$139 million as at 31 December 2005. As the Group had no outstanding bank loan on the same day, the gearing ratio was zero (2004: 0%). The current and quick ratios are 4.73 and 4.56 respectively in 2005 (2004: 7.52 and 7.32). As at 31 December 2005, the debtors turnover, inventory turnover and creditors turnover were 98 days, 10 days and 42 days respectively (2004: 57 days, 10 days and 24 days respectively).

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

CAPITAL EXPENDITURE

During the year ended 31 December 2005, the Group acquired new plant equipment and facilities totalling HK\$47 million, which was financed by internal resources.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group and the Company did not have any significant contingent liability (2004: 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 2005, the Group did not acquire or sell any subsidiary.

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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 year ended 31 December 2005 and the audited financial statements for the year ended 31 December 2005.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group had a total of 260 employees (2004: 248). The Group regularly reviews the 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.