

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 18 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 26.

SHARE CAPITAL

There was no movement in share capital of the Company during the year.

SHARE OPTIONS

Details of share options are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

There was no Company's reserves available for distribution to shareholders as at 31 March 2006, which comprises contributed surplus of HK\$180 million less accumulated losses of HK\$181 million of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent an aggregate amount of approximately HK\$10.5 million on the acquisition of property, plant and equipment for expansion and improvement of the manufacturing facilities of its pharmaceutical business. In addition, there was an aggregate net book value of approximately HK\$64.0 million of property, plant and equipment acquired upon acquisition of subsidiaries during the year.

Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Zhang Cheng (*Chairman*)

Mr. Lin Dong (*Chief Executive Officer*)

Mr. Feng Xiang Cai

Independent non-executive directors:

Mr. Ngai Sau Chung, Howard (appointed on 29 September 2005)

Mr. Jiang Guoan (appointed on 19 April 2006)

Mr. Lin Ye (appointed on 7 July 2006)

Mr. Qiu Yiyong (resigned on 29 September 2005)

Ms. Jin Jane (resigned on 19 April 2006)

Mr. Yin Dakui (resigned on 7 July 2006)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Ms. Zhang Cheng, Mr. Ngai Sau Chung, Howard, Mr. Jiang Guoan and Mr. Lin Ye retire and, being eligible, offers themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to their retirement as required by the Company's Bye-laws.

None of the director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests and short position of the directors and their respective associates in the shares, underlying shares and debentures and share options of the Company or any of its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 (the "Model Code"), were as follows:

Long position in ordinary shares of HK\$0.05 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Yong (Note)	Held by controlled corporation	852,000,000	60.36%
Ms. Zhang Cheng (Note)	Interest of spouse	852,000,000	60.36%
Guardwell Investments Limited (Note)	Beneficial owner	420,000,000	29.75%
Eagle Asia Investments Limited (Note)	Beneficial owner	232,000,000	16.44%
Eagle China Investments Limited (Note)	Beneficial owner	200,000,000	14.17%

Note: Mr. Wu Yong beneficially owns and controls Guardwell Investments Limited ("Guardwell"), Eagle Asia Investments Limited ("Eagle Asia") and Eagle China Investments Limited ("Eagle China"). Ms. Zhang Cheng, the chairman and executive director of the Company, is the wife of Mr. Wu Yong. Accordingly, Mr. Wu Yong and Ms. Zhang Cheng are deemed to be interested in the shares through Guardwell, Eagle Asia and Eagle China.

Save as disclosed above, none of the directors and their associates, had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 March 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in respect of the directors' interests in securities and note 26 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of the directors' interests in securities, the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Long positions in ordinary shares of HK\$0.05 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Yong (Note 1)	Held by controlled corporation	852,000,000	60.36%
Ms. Zhang Cheng (Note 1)	Interest of spouse	852,000,000	60.36%
Guardwell (Note 1)	Beneficial owner	420,000,000	29.75%
Eagle Asia (Note 1)	Beneficial owner	232,000,000	16.44%
Eagle China (Note 1)	Beneficial owner	200,000,000	14.17%
Ms. Wang Jin Song (Note 2)	Held by controlled corporation	129,380,827	9.17%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long positions in ordinary shares of HK\$0.05 each of the Company (continued)

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Ankeen Enterprises Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Group Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Bioengineering Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Advance Year Company Inc. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Landstar Investments Limited (Note 2)	Beneficial owner	129,380,827	9.17%
China Life Trustees Limited (Note 3)	Trustee	100,000,000	7.08%
China Life Insurance (Overseas) Co. Ltd. Hong Kong Branch (Note 3)	Held by controlled corporation	100,000,000	7.08%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

1. Mr. Wu Yong beneficially owns and controls Guardwell, Eagle Asia and Eagle China. Ms. Zhang Cheng, the chairman and executive director of the Company, is the wife of Mr. Wu Yong. Accordingly, Mr. Wu Yong and Ms. Zhang Cheng are deemed to be interested in the shares through Guardwell, Eagle Asia and Eagle China.
2. Ms. Wang Jin Song ("Ms. Wang") beneficially owns 85% interests in Ankeen Enterprises Limited ("AEL"). AEL beneficially owns 41.93% interests in Shenzhen Neptunus Group Co., Ltd. ("SNGCL"). SNGCL beneficially owns 49.08% interests in Shenzhen Neptunus Bioengineering Co., Ltd. ("SNBCL"). SNBCL beneficially owns 100% interests in Advance Year Company Inc. ("AYCI"). AYCI beneficially owns 100% interests in Landstar Investments Limited ("LIL") which owns 129,380,827 ordinary shares of the Company.

Accordingly, Ms. Wang, AEL, SNGCL, SNBCL and AYCI are deemed to be interested in the 9.17% shares held by LIL.

3. China Life Trustees Limited is accustomed to act in accordance with directors of China Life Insurance (Overseas) Co. Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 March 2006, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 60% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 18% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest suppliers or customers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 26 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2006.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

MR. LIN DONG

Director

Hong Kong, 14 July 2006