

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present to our shareholders our annual results for the year ended 31 March 2002.

RESULTS

The Group's turnover and net profit attributable to shareholders for the year amounted to HK\$320.0 million (2001: HK\$212.0 million) and HK\$27.7 million (2001: loss of HK\$47.5 million), respectively.

DIVIDEND

No interim dividend was paid during the year under review (2001: Nil). The directors do not recommend the payment of a final dividend (2001: Nil).

REVIEW OF OPERATIONS

It was an encouraging year for our Group. Despite the downturn of the global economy and the difficult restructuring of the Hong Kong economy, the Group's business has continued to grow with returns to shareholders being strengthened. Turnover increased over 50% from last year, a net profit of HK\$27.7 million was recorded (as compared with a loss for last year) and our cash and cash equivalents and shareholders' equity were increased from last year's HK\$185.6 million and HK\$159.9 million, respectively, to the current year's HK\$313.8 million and HK\$468.0 million, respectively.

Management and Sub-licensing of Chinese Wet Markets

This area of business continues to be the Group's core business, contributing nearly half of the Group's turnover in the year under review. Relating to people's everyday necessities, turnover and profit contribution continued their growth despite the sluggish Hong Kong economy.

I am pleased to announce that the Hong Kong Housing Authority has recently granted to the Group the lease for the Chinese wet market at Yu Chui Shopping Centre, Shatin, with a floor area of approximately 15,000 sq. ft., which will add to the existing 12 Chinese wet markets, with a total area of 257,000 sq.ft., currently operated by the Group.

Management and Sub-licensing of Shopping Centres and Car Parks

The Group currently manages and operates 8 shopping centres with a total floor area of over 1.4 million sq. ft. and over 3,800 car parking bays, which continue to generate steady contribution to the Group.

Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong")

The acquisition of Wai Yuen Tong in February 2001 has proven to be an excellent investment decision. With the efforts contributed by the Group, Wai Yuen Tong's turnover and net profit increased from HK\$39.4 million and HK\$9.1 million (excluding a one-off gain on disposal of property, plant and equipment of HK\$3.3 million), respectively, for the 15 months ended 31 March 2001 to HK\$72.4 million and HK\$14.9 million, respectively, for the year ended 31 March 2002, which resulted in a significant contribution to the Group's turnover and net profit.

As described in the section "Investment in Dailywin Group Limited" below, with a view to enhance the Group's investment in Dailywin and to assist the Dailywin Group to improve its financial performance, the Group has since the end of the year under review disposed of Wai Yuen Tong to Dailywin in return for Dailywin's shares and convertible notes.

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REVIEW OF OPERATIONS *(continued)*

Other Investments in Pharmaceutical Business

During the year under review, the Group has invested in Luxembourg Medicine Company Limited ("Luxembourg") by acquisitions of an aggregate of approximately 47.5% equity interests in Luxembourg.

The Group also acquired 22% equity interests in China Field Enterprises Limited which holds a 80% equity interests in Hunan Xiangya Pharmaceutical Company Limited.

Investment in Dailywin Group Limited ("Dailywin")

Since acquiring a significant equity interest in Dailywin in August 2001, substantial efforts were contributed by the Group in the restructuring and re-engineering of the financial and business position of Dailywin. As detailed in Dailywin's announcement dated 7 February 2002, the legal disputes between Dailywin and the trustee for the holders of the convertible loan stock were resolved.

Since the end of the year under review, and as stated in an announcement dated 22 May 2002 with further details being provided in a circular of the Company dated 17 June 2002, the Group entered into an agreement with Dailywin to dispose of its entire interest of 75.79% in Wai Yuen Tong to Dailywin at a consideration of approximately HK\$167.0 million to be satisfied by the issue by Dailywin of new shares and convertible notes. The transaction was approved in the Company's and Dailywin's special general meetings held on 3 July 2002 and was completed on 9 July 2002.

The disposal together with the placement by the Company on 9 July 2002 of some of Dailywin's shares received as part of the consideration for the Wai Yuen Tong disposal, resulted in cash inflow of around HK\$35.0 million to the Group while the Group will, through its long-term increased shareholding in Dailywin, continue to enjoy the benefit generated from any future growth of Wai Yuen Tong.

LIQUIDITY AND FINANCIAL RESOURCES

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the following fund raising capital exercises were made during the year:

- a. In August 2001, convertible bonds amounting to HK\$30,080,000 with a conversion price of HK\$0.188 per share, were issued. The bonds were subsequently fully converted into 160 million ordinary shares during the month.
- b. In October 2001, approximately HK\$12 million was raised through a top-up placing of 160 million new ordinary shares at HK\$0.08 per share.
- c. In November 2001, approximately HK\$20 million was raised through a top-up placing of 228 million new ordinary shares at HK\$0.09 per share.
- d. In December 2001, approximately HK\$24 million was raised through a top-up placing of 274 million new ordinary shares at HK\$0.09 per share.

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LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

- e. In March 2002, approximately HK\$190 million was raised through a rights issue on the basis of four rights shares for every existing share held with one bonus share for four fully paid rights shares.

Subsequent to the year end, in May 2002, approximately HK\$36.5 million was raised through a top-up placing of 1,950 million new ordinary shares at HK\$0.02 per share. In June 2002, 2,000 million unlisted warrants with an initial exercise price of HK1.7 cents per share were issued at a subscription price of HK0.1 cent per share.

The Group's gearing ratio as at 31 March 2002 was approximately 0.10 (calculated with reference to the Group's total borrowings and capital and reserves of approximately HK\$46.1 million and HK\$468.0 million, respectively, as at 31 March 2002).

At 31 March 2002, the Group's investment properties and property held for re-sale with an aggregate value of approximately HK\$22.9 million and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK\$27.6 million of which was utilised at 31 March 2002.

The Group's contingent liabilities as at 31 March 2002 amounted to approximately HK\$27.9 million (2001: HK\$42.8 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2002, the Group had around 600 full time employees, over 95% of whom were located in Hong Kong.

The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share option may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits, are also provided.

PROSPECTS

With its strong financial resources and liquidity, the Group will continue to consolidate and strengthen its commercial properties management business and actively look for good investment opportunities with the potential to enhance the Group's future returns.

APPRECIATION

I would like to take this opportunity to thank all my fellow directors and the staff of the Group for their relentless dedication and hard work during the year.

By Order of the Board

Tang Ching Ho

Chairman and Managing Director

Hong Kong
19 July 2002