

## 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 2003.

### RESULTS

The Group's turnover and net profit attributable to shareholders for the year amounted to HK\$292.2 million (2002: HK\$320.0 million) and HK\$41.3 million (2002: HK\$27.7 million) respectively.

### DIVIDEND

No interim dividend was paid during the year under review (2002: Nil). The directors do not recommend the payment of a final dividend (2002: Nil).

### REVIEW OF OPERATIONS

It was another encouraging year for our Group. Despite the continual downturn of the economy which resulted in a drop in turnover for the year under review, a net profit of HK\$41.3 million, which represented a 49% increase from last year, was recorded.

Our shareholders' equity was increased from HK\$468.0 million the previous year to HK\$620.5 million as at 31 March 2003 and our liquidity remains strong with our cash and cash equivalents remaining at over HK\$214 million.

#### **Management and Sub-licensing of Chinese Wet Markets**

With the grand opening of the Chinese wet market at Yu Chui Shopping Centre, Shatin in January 2003, our Group currently operates 12 Chinese wet markets with a total area of approximately 260,000 sq. ft. and continues to be the largest single operator of Chinese wet markets in Hong Kong.

Although there was a drop in profit contribution in the current year under review due to deterioration of the rental market, this area of business was relatively less affected by the downturn in economy and continues to generate steady income for the Group.

The directors will continue to look for opportunities to expand this area of business, including expansion to the People's Republic of China.

#### **Management and Sub-licensing of Shopping Centres and Car Parks**

The Group was granted a new car park management contract, with over 1,800 car parking bays mainly located in Kowloon East and Tung Chung, for the Housing Authority in April 2003.

The Group currently manages 7 shopping centres with total floor space of over 1.03 million sq.ft. and over 4,500 car parking bays.

## Chairman's Statement

### REVIEW OF OPERATIONS *(Continued)*

#### **Management and Sub-licensing of Shopping Centres and Car Parks *(Continued)***

With the termination of certain loss-making management contracts, profit contribution for the year from this segment was increased as compared with the previous year. In view of the continuing privatization policy of the government, the directors are optimistic of the future prospects of this area of business.

#### **Wai Yuen Tong Medicine Holdings Limited ("WYT Holdings")**

After the successful injection of the Wai Yuen Tong business into WYT Holdings and the efforts in streamlining its traditional watch manufacturing business, the loss for WYT Holdings was reduced. The Group currently holds an approximately 31% shareholdings, and convertible notes of HK\$64 million in WYT Holdings. Long and short term loans and interest receivable of an aggregate amount of approximately HK\$82.7 million was advanced by the Group to WYT Holdings as at 31 March 2003. The directors will continue to assist WYT Holdings to continue to re-engineer its business and look for new business opportunities.

#### **Luxembourg Medicine Company Limited ("Luxembourg")**

With a view to further strengthen the Group's investment in the pharmaceutical business, the Group entered into an agreement on 17 February 2003 to acquire a further 52% shareholdings in Luxembourg at an aggregate consideration of HK\$70.5 million, which was satisfied by WYT Holdings shares and HK\$1.5 million cash. This transfer of WYT Holdings shares resulted in a gain of approximately HK\$59.8 million for the Group.

Although Luxembourg incurred a loss during the year due to the restructuring of its marketing, costs and production policies, the directors are confident of a turnaround in its results in the coming year and that this investment will continue to generate stable return to the Group in the long term.

### LIQUIDITY AND FINANCIAL RESOURCES

In May 2002, net proceeds of approximately HK\$36 million were raised through a top-up placing of 1,950 million new shares at HK\$0.02 per share. In July 2002, 2,000 million unlisted warrants with an initial exercise price of HK1.7 cents per share were issued (The exercise price was subsequently adjusted to HK\$1.7 per share as a result of the Company's capital reorganisation in October 2002). The warrants will expire on 31 July 2003.

The Group currently has cash resources of around HK\$197 million. The Group has also invested, in aggregate, approximately HK\$31 million in certain long-term guaranteed-return funds, certificates of deposits and other conservative investments with a major bank.

The Group's gearing ratio as at 31 March 2003 was approximately 0.12 (calculated with reference to the Group's total borrowings and capital and reserves of HK\$76.1 million and HK\$620.5 million respectively as at 31 March 2003).

## Chairman's Statement

### LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

At 31 March 2003, the Group's investment properties with a book value of approximately HK\$129 million and certain rental income generated therefrom were pledged to secure the Group's banking facilities, approximately HK\$113 million of which was utilized at 31 March 2003.

The Group's contingent liabilities as at 31 March 2003 amounted to approximately HK\$36.0 million.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2003, the Group had over 460 full time employees, around 90% 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 options 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

Taking advantage of the low interest environment and its strong financial resources, the Group will continue to strengthen its existing business whilst continuing to seek for new business opportunities to enhance the shareholders' 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, 30 May 2003