



# Chairman's Statement

## OVERVIEW

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On behalf of the Board, I am pleased to present the annual report of the Company and its subsidiaries (collectively known as the "Group") for the financial year ended 31st March, 2004.

Last year was a year full of challenges and volatility. In the first half of the financial year, the negative impact of the Severe Acute Respiratory Syndrome (the "SARS") outbreaks weighted heavily on Hong Kong's economy. This adverse environment was indeed provided the Group with certain business opportunity. As the product flagship of Shenzhen Wanji Medicine Products Co. Ltd. ("Shenzhen Wanji"), the Group launched its first product collection – the ginseng series to the market at such time when the awareness of healthcare protection was enhanced in the community. The ginseng series so launched delivered a steady and promising result.

During the second half of the year, the implementation of various economic stimulation programs and measures by the Central Government of The People's Republic of China (the "PRC") brought positive effect to the economy of Hong Kong, giving rise to increased export and domestic spending, and, in particular, improved consumer confidence and therefore local retail sales. A good distribution network and superior products are the major factors that leading to our success. With the economy resurgence, the Group launched the ginseng series through some major market channels with over 1,000 outlets, and incurred costs in advertising and promotions in order to cope with the Group's long-term growth.

Seeing the successful launch of the ginseng series, another major product collection – Confucius Family Spirits (the "Spirit") – was firstly introduced to the market in the last quarter of the year and was an instant market success. The Spirit was created by the ancestors of Confucius family especially for emperors or gifts to Very Important Persons. With the modern technology and traditional wisdom, the Spirit was resulted in unique taste that will be easily put itself to be outstanding among similar products. The selling of the Spirit not only limited to Hong Kong market, but also was found popular in other Asian countries. The successful launch of this winery product greatly strengthened our Group's credibility and confidence in the market.

Besides the distribution of medicinal products comprising the ginseng series and winery products, the distribution of medical equipment through our subsidiary company still maintain good record. A number of cost control measures are expected to put through in order to keep costs in line with sales and to combat the keen competition in the industry.

### OUTLOOK

Looking ahead, under the increasing awareness of healthcare production in the community, the Group is considering to redirect its focus and resource on the distribution of medicinal and winery products in order to facilitate their growth and development. Besides, we believe that business opportunities will be promising in retail business due to the mainland's continued strong economic growth, and supportive measures in Hong Kong such as the introduction of the Individual Visa Scheme and the Closer Economic Partnership Arrangement (CEPA).

With the strong back-up from Shenzhen Wanji of various outstanding medicinal and winery products, the Group is with competitive advantage. More medicinal product collections and winery types will be expected to introduce in the market through the Group, and more marketing channel outlets are expected to be put into the work force. The Group will also continue to use the knowledge with the domestic market to penetrate into other countries in the Asia Pacific region, Europe and USA.

At the same time, facing the increasing competition in the industry and any unpredictable rises in costs, we are prepared to face the challenge in the distribution business of medical equipment.

The Group is committed to strengthen its position as one of Hong Kong's major participants in the medicinal industry. The Group's strong resource support and sound market expertise place it in a strong position to meet new business and market challenges and respond to further market developments as they occur. We are confident that the Group has got the right formula to win and excel.

The Board would like to express its sincere appreciation to its bankers, suppliers, customers and shareholders for their continued support to the Group. The Board also wishes to thank the Group's management and staff for their hard work during the year.

On behalf of the Board

**Chen Wei Dong**

*Chairman*

Hong Kong, 20th July 2004