

## Chairman's Statement

### OVERVIEW

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, 2005.

Despite the change of new controlling shareholder, the Group remains its steady businesses in the sale of medicinal and winery products and the sale of medical equipment. The Hong Kong economy has shown a solid, broad-based upturn led by strong performance of the external sector and improved consumer confidence and therefore local retail sales. Together with the increasing awareness of healthcare protection in the community, the launch of Confucius Family Spirits to the market delivered a promising result. 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.

However, the sales of the Group's first product collection, the ginseng series, appeared to slow down dramatically due to keen competition of other healthcare products in the market. Seeing the decreasing demand of medicinal products and the rising market competition in winery products, the Group reduced costs in advertising and promotional campaigns and held up the development of additional distribution networks in oversea regions in order to cope with the Group's long-term business plan.

Besides the sale of medicinal products comprising the ginseng series and winery products, the sale of medical equipment through our subsidiary company still contribute stable revenues to the Group. A number of cost control measures were put through in order to keep costs in line with sales. However, the sale of medical equipment has limited development potential due to the keen competition in respect of the medical equipment business from the Group's competitors, including well-known international manufacturers which produce medical equipment that are often sold at competitive prices.

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### OUTLOOK

After the change of new controlling shareholder, a detailed review of the financial position and operations of the Group will be conducted so as to formulate the long-term business plans and strategy of the Group, which may include, by building on the medical expertise, distribution networks and customer base currently possessed by the Group, further development of the medical business of the Group by the establishment of internet related medical business. The Company will also explore other business opportunities which are in line with or will provide synergy to the principal business activities of the Group and consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

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 sales business of medical equipment, medicinal and winery products. 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.

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

**Wang Ling**

*Chairman*

Hong Kong, 25th July 2005