

On behalf of the Board of Directors (the "Board"), I am pleased to present to our shareholders our annual results for the year ended 31st March 2003.

### RESULTS

The Group's turnover and loss attributable to shareholders for the year amounted to HK\$259.8 million (2002: HK\$220.8 million) and HK\$28.9 million (2002: HK\$33.6 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).

### CHANGE OF COMPANY'S NAME

With a view to better present the Group's long term business strategy and focus on the Chinese pharmaceutical business, the name of the Company was changed from "Dailywin Group Limited (得利集團有限公司)" to "Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司)" effective on 23rd August 2002.

### REVIEW OF OPERATIONS

The diversification of the Group's business into the Chinese pharmaceutical business has proved to be a successful move. Since the completion of the acquisition of Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong") in July 2002, turnover and profit contribution of HK\$83.3 million and HK\$15.5 million were made to the results of the year under review, which not only compensated the drop in the Group's businesses in assembly of watches and manufacture of cases ("OEM Business") and the retail of watch and bags in the People's Republic of China ("PRC Retail Business"), but also increased the Group's turnover for the year ended 31st March 2003 by 17.7% as compared with the previous year and reduced net loss from HK\$33.6 million for the previous year to HK\$28.9 million for the year under review.

### Wai Yuen Tong

The directors are pleased to inform the shareholders that the consolidated net profit of Wai Yuen Tong for the year ended 31st March 2003 was HK\$18.1 million (2002: HK\$14.9 million), which met the profit guarantee provided by Wang On Group Limited and Town Health International Holdings Limited as stipulated in the acquisition agreement entered into in May 2002.

The turnover of Wai Yuen Tong increased to HK\$109.3 million for the year ended 31st March 2003 (a 51% increase as compared to HK\$72.4 million for the previous year).

Over 50 new products, including those listed below, were launched during the year:

Ganoderma Spores (仙草靈芝孢子)

Tibetan Wild Cordyceps Capsule (珍品冬蟲夏草膠囊)

Bird's Nest with Rock Sugar (冰糖燕窩)

Bird's Nest with American Ginseng (花旗參燕窩)

Teenage Pak Fung Pill (青春白鳳丸)

Golden Deer's Tail Pill (金裝鹿尾鞭丸)

Pearl Pill (珍珠美肌素)

Cornu Cervi Pantotrichum Extract (御品鹿茸飲劑)

Ganoderma Extract (金裝靈芝飲劑)

The number of Wai Yuen Tong retail shops has been increased from 5 in the previous year to the present number of 16. Taking advantage of the present sluggish property rental market, the directors intend to further expand our retail network in the coming year.

### OEM Business

The OEM Business continued to face keen competition from other market players. For the year ended 31st March 2003, the turnover of our OEM Business division decreased to HK\$109.3 million (2002: HK\$152.4 million). This had mainly resulted from a decline in sales to the US market, which was partially compensated by the growth in sales to the India market.

The operating loss of this division for the year under review widened to HK\$4.8 million (2002: HK\$1.3 million). The deterioration was mainly caused by the drop in sales.

### PRC Retail Business

As a result of the completion of the restructuring of our brand portfolio in the second half of the financial year, the sales of our PRC Retail Business Division began to show improvement. The annual turnover of this division was HK\$67.1 million (2002: HK\$68.3 million), a slight drop of only 1.7% as compared with last year, despite the difficult business environment.

The operating loss of this division has been significantly reduced from HK\$13.7 million the previous year to HK\$7.3 million for the year ended 31st March 2003. This was mainly achieved by the reduction of discount to customers and mild price increment to the launch of new models and stringent control on operating expenses.

### LIQUIDITY AND FINANCIAL RESOURCES

Total net proceeds of approximately HK\$5.2 million were raised in April and May 2002 through two placements of new shares.

As at 31st March 2003, the Group's total borrowings amounted to HK\$174.8 million which included bank borrowings of HK\$17.3 million, finance lease obligations of HK\$1.5 million, loan and interest due to a director of HK\$9.8 million, long term loans of HK\$64.9 million and short term advances of HK\$17.3 million, inclusive of interest, due to, and convertible notes of HK\$64 million due in July 2005 held by, Rich Time Strategy Limited, a wholly-owned subsidiary of Wang On Group Limited.

The gearing ratio, defined as the ratio of the total borrowings to total assets, as at 31st March 2003 was approximately 54.7%. The Group's investment properties and fixed assets with an aggregate book value of HK\$10.9 million were pledged to banks to secure the Group's general banking facilities, approximately HK\$7.4 million of which was utilized at 31st March 2003.

The Group's contingent liabilities as at 31st March 2003 amounted to approximately HK\$2.9 million (2002: HK\$0.9 million).

### MANAGEMENT AND STAFF

As at 31st March 2003, the Group had over 800 employees, around 33% of whom were located in Hong Kong. Staff requirement is regularly monitored with reference to the actual needs of the Group. Remuneration packages, which comprise salaries, provident fund contributions and medical benefits, are periodically reviewed based on market trends, performance appraisals, working experience and industry practice and then approved by the executive directors. Discretionary share options are granted to selected employees according to their contribution to the Group.

## Chairman's Statement

### PROSPECTS

The recent outbreak of Severe Acute Respiratory Syndrome (SARS) has heightened the public's awareness of personal health. The directors are confident that Wai Yuen Tong will be able to capture this business opportunity. Further efforts will also be made to re-engineer the Group's OEM Business and PRC Retail Business to cut down and, ultimately, reverse their losses.

The directors are continuing to explore new business opportunities which will generate revenue and cashflow stream for the Group, particularly in businesses complementary to the existing businesses of the Group.

### APPRECIATION

I would like to take this opportunity to thank our shareholders, my fellow directors and the staff of the Group for their support during the year.

By Order of the Board

**TANG CHING HO**

*Chairman*

Hong Kong, 30th May 2003