

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I take the pleasure in reporting the overall financial performance and business development of Heng Tai Consumables Group Limited and its subsidiaries (the "Group") for the year ended 30 June 2003.

### FINANCIAL PERFORMANCE

Year 2003 continued to be a year of growth and success for the Group with its turnover and net profit attributable to shareholders amounting to approximately HK\$553 million and HK\$46.6 million respectively, representing a growth of approximately 11.8% and 21.4% respectively compared to those of the previous year. The gross profit margin has improved slightly as a result of product mix refinement.

### DIVIDEND

The Board has proposed a final dividend of 1.5 HK cent per ordinary share. This proposed final dividend, together with the interim dividend of 1 HK cent per share, amounting to a total dividend of 2.5 HK cents per share for the whole year.

### BUSINESS REVIEW

The continuing growth for the retail and consumer market mainly attributable to the long-lasting increment of the gross domestic product ("GDP") in the Mainland China has translated into huge consumer spending domestically and it paves the way as a driver of growth for the Group. The management of the Group has actively initiated action plans to strive for incessant growth and to take up challenge.

On the customer side, such initiatives include introduction of consumer products featuring contemporary healthy, green and organic concept; expansion of the Group's distribution network through increased geographical presence in the western and northern cities of the Mainland China; and dedication to brand building to establish loyalty in ultimate consumers. On the procurement side, the Group enlarges exclusive distribution rights secured for a diversified variety of products through business alliance and trade functions and exhibitions. Representative offices have been established in strategic locations, such as New Zealand and Thailand to widen its sourcing network and enrich its product range.

On the management side, the Group works out detailed planning to broaden its scope of services and perform a detailed review on the devotion of management efforts to those business segments that positively contribute to the Group's net profit.

Although the Group's fast-growing pace in the consumer product market of the Mainland China was somewhat slowed down with the outbreak of Severe Acute Respiratory Syndrome ("SARS"), through management's efforts and established development plans, the Group was able to navigate the SARS epidemic without adverse impact to the Group's development and performance.

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### PROSPECT

To further enhance our competitiveness and shareholder value, the Group has broadened its scope of services by diversifying and transforming from a distribution mentality to a service-oriented conglomerate and now is in the process of integrating logistic infrastructure into the conglomerate. Development plans are well-defined to appropriately invest on infrastructure and facilities to address market demand. The Group is cautiously optimistic and values development opportunities which may provide expansion and growth potentials in the long run, to strive for utmost return to shareholders.

### APPRECIATION

On behalf of my fellow directors, I would like to express our gratitude to our shareholders and business partners for their continual support. I would also like to express our appreciation to the management and staff for their contribution to the Group's success in this reporting year.

On behalf of the Board  
**Lam Kwok Hing**  
*Chairman*

Hong Kong, 9 October 2003