

The year under review was a year of change and transformation. Apart from the continuing expansion of Wai Yuen Tong's Chinese pharmaceutical and health product business, the following major acquisitions/disposal/transactions have been undertaken since our last annual report:

- The acquisition of a 99.79% interest in Luxembourg Medicine Company Limited, a company which is principally engaged in the production and sale of western pharmaceutical and health products under the brand name of "Madame Pearl's".
- The acquisition of a 39.2% interest in Hunan Xiangya Pharmaceutical Co., Limited, a PRC joint venture company which is principally engaged in the production and distribution of pharmaceutical products in the PRC.
- The disposal of the Group's watches OEM business and PRC retail business of watches and bags.
- Three top-up placings of new shares which, in aggregate, raised approximately HK\$136.5 million.
- A rights issue announced on 20 April 2004 and completed in June which raised net proceeds of approximately HK\$250 million, and the acquisition of the entire effective interest in Wai Yuen Tong Medicine Building, also completed in June 2004.

After the above restructuring, the Group has now attained a stable and healthy financial position. The Group currently holds over HK\$120 million cash.

Looking ahead, the Group will focus its resources on the pharmaceutical and health product business with a view to bring shareholders a steady long term return.

Tang Ching Ho

Chairman

9 July 2004