

## Chairman's Statement

On behalf of the board of directors (the "Board" or "Directors"), I am pleased to present to the shareholders the annual report of Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2004.

### FINANCIAL PERFORMANCE

The Group demonstrated another year of success in Year 2004 and our efforts were rewarded with encouraging results. The Group has achieved marvellous growth in turnover and net profit attributable to shareholders. During the year under review, the Group's turnover increased to approximately HK\$713 million, representing an increase of approximately HK\$160 million or 29% when compared with the previous financial year. Net profit attributable to shareholders increased to approximately HK\$74 million, representing an increase of approximately HK\$27 million or 58% when compared with the previous financial year. Increase in the Group's net profit after tax of approximately HK\$5 million was attributable to the Group's share of nearly half year's net profit of Daqing Petroleum & Chemical Group Limited ("Daqing"), which is a public company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and was acquired by the Group on 11 January 2004 as to its 18.83% issued share capital. The increase in the Group's net profit of approximately HK\$22 million was attributable to the growth in its core distribution business.

### DIVIDEND

The Board has proposed a final dividend of HK\$0.01 per ordinary share in respect of the year ended 30 June 2004. During the year, the Board also proposed a bonus issue of shares by way of a special dividend on the basis of one new share for every five issued shares held by the shareholders whose names appeared on the register of members of the Company on 23 April 2004.

### BUSINESS REVIEW

In view of the strong economic growth and the continual booming of the consumer market in the People's Republic of China (the "PRC"), our well-developed comprehensive and flexible modular business approach has positioned us well for more business opportunities and for capturing the immense potential of the PRC consumer's market. Relying on our well-established global sourcing network and domestic extensive sales network, the Group continues to reinforce its core distribution business in the fast moving consumable goods industry. The determined diversification of the Group's business into the fresh produce industry has successfully met customers' demand of healthy and green living style, which was proven by the apparent growth of the turnover derived from sales of fresh produce during the year under review. The acquisition of the equity interest in Daqing has also enabled the Group to realize business synergy through Daqing's connection to exploit sales network coverage in the northern part of the PRC and border trade and to explore other business opportunities to the Group's core distribution business.

To broaden its scope of services, the Group is also utilizing its existing management experience and expertise to expand to the logistic business to achieve diversification from a distribution mentality to a service-oriented conglomerate. The investments in the Shanghai and Zhongshan logistic centres have been diligently evaluated by our management before the project finalisation and we believe that the logistic business is a horizontal expansion and vertical integration to our existing core distribution business and more importantly paves the way for our future growth in earnings.

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### PROSPECT

In the years ahead, we will continue to reinforce our core distribution business while compounding our growth through our investments in the logistic business. The Group will consistently pursue its mission to become a leading integrated provider of distribution, logistic services and brand building in the fast moving consumable goods and cold-chain products industry and to continuously create shareholder value.

### APPRECIATION

The development and success of the Group would not be possible without the commitment and vision of my fellow management team. I would like to take this opportunity to express my appreciation to them and our staff for their dedication to the Group's success during the year. I also wish to thank for the full support and trust from our shareholders and business partners in our business expansion strategies.

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

Hong Kong, 18 October 2004