

## Chairman's Statement

During the year, the retail market continued its growth momentum on the back of the rapid recovery and globalization of the world economy. This has provided a favourable environment for the growth of the Chinese and Western pharmaceutical and health food product business of the Group.

With a view to consolidating its operations, the Group purchased the Wai Yuen Tong Medicine Building (the "WYT Building") in June 2004. The WYT Building does not only function as a management and operation office, it is also a manufacturing plant meeting the regulations of Good Manufacturing Practice (GMP). The Group invested over HK\$20 million to renovate and set up a Chinese medicine manufacturing plant in the WYT Building which is designed to comply with the internationally recognized GMP standards. We believe that this strategic move will further strengthen the product development and manufacturing capabilities of the Group. At present, we have already complied with the hardware requirements of the GMP and are awaiting the validation of its software and control procedures. The Group targets to obtain the Chinese Medical GMP Certificate by the end of 2005.

In order to consolidate our retail network, we purchased our flagship store with a floor area of over 2,800 sq.ft. in March 2005. The flagship store, is one of our largest retail shops, with one-stop health care services, including consultation with Chinese medicine practitioners, professional Chinese deep issue massage and herbs decocting services. It is located in Mongkok which is in a prime retail location with high pedestrian traffic flow. The Group believes that its excellent location will not only increase the Group's sale, but also greatly helps promote the brand name of "Wai Yuen Tong" in Hong Kong.

To strengthen our production base and to acquire a new sourcing arm overseas, the Group acquired 100% interest in CNT Health Food Pte Limited ("CNT"), one of the largest bottled bird's nests contract manufacturers in Singapore. CNT is principally engaged in the manufacturing and sale of bottled bird's nest and herbal essence.

This year is Wai Yuen Tong's 108th anniversary and the Group took this opportunity to reward our loyal customers by sponsoring Cantonese opera performances by Koi Ming Fai of Ming Chee Sing Chinese Opera at around the 2005 Lunar New Year.



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During the year, capital raising exercises by way of a rights issue and a top-up placing of new shares were undertaken and, in aggregate, raised approximately HK\$290 million.

The continual improvement in the local economy, coupled with the effect of the Close Economic Partnership Arrangement ("CEPA") between the Mainland and the Hong Kong governments and the Individual Visit Scheme, provide positive impact on the Group's business. The Directors are cautiously optimistic on our future growth prospects and our ability to bring shareholders a steady long term return.

**Tang Ching Ho**

*Chairman*

6 July 2005

