



# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Group's annual report for the financial year ended 31 March 2006.

The retail environment for the year ended 31 March 2006 was mixed. The economy in Hong Kong was recovering, unemployment rate was declining, and there were expectations of increased economic activities following the opening of a major theme park in Hong Kong. As a result of the positive economic environment, rent and wages increased. However, the retail sentiment was subsequently undermined by the swift and continued increases in interest rates which are believed to have negatively affected consumer spending power, and reduced the level of Mainland travelers to Hong Kong.

Nevertheless, generating growth is the theme of our annual report. As a company that has existed for over 109 years, we have seen our fair share of highs and lows, and with our years of experience, we believe that we have the ability to continue our company's growth in the years ahead. As a company, we understand that continual growth is one of the best ways of rewarding our shareholders for their loyalty and confidence in us, particularly during the past few years, and we will continue striving towards even greater future performance.

In January 2006, our medicine manufacturing plant in Hong Kong ("GMP Plant") was awarded two Good Manufacturing Practice ("GMP") certifications by the Chinese Medicine Council of Hong Kong and Therapeutic Goods Administration of Australia (TGA), respectively, for meeting internationally recognised GMP standards. The Group has invested HK\$100 million to build the largest GMP Plant and production facilities in Hong Kong. The award of the GMP certifications is a milestone for the Group, reflecting that "Wai Yuen Tong" products made in Hong Kong comply with high standards of safety and efficacy. Furthermore, it not only enhances the brand's market competitiveness, but also reinforces consumer confidence. The Group believes that the GMP plant is also a significant achievement in its business strategy on diversification and globalization.

During the year, the Group continued to focus on the following key development strategies: (i) reinforcing brand awareness and brand loyalty; (ii) strengthening product design, research and development; (iii) expanding our sales channels and network; and (iv) improving supply chain management.

The Group has established an extensive distribution and retail network with sales throughout Hong Kong and the PRC. During the past year, the Group adopted a diversified retail model and continued to expand its sales channels by opening 6 retail shops in Hong Kong and 5 concession counters in the PRC, bringing the total number of retail shops to 49 and concession counters to 12.

During the year, capital raising exercises by way of capital reorganisation and rights issues were undertaken, and raised approximately HK\$153.2 million in aggregate.

To continue our journey along the road to success, the Group will continue concentrate its efforts and resources to streamline and improve the efficiency of its business with the ultimate aim of bringing long-term positive returns to our shareholders.

I would take this opportunity to express my sincere thanks to all shareholders for continuing support, and all the directors and staff of the Group for their loyalty, commitment and diligence in the past year.

**Tang Ching Ho**  
*Chairman*

14 July 2006