

Chairman's Statement

On behalf of the Board of Directors, I present to you the Group's annual report for the year ended 31st December 2001.

RESULTS

For the year ended 31st December 2001, the Group's turnover and audited loss attributable to shareholders was HK\$22,825,000 (2000: HK\$34,973,000) and HK\$64,559,000 (2000: HK\$59,701,000) respectively.

During the year, the Group has implemented effective cost control measures and the administrative expenses of the Group reduced by 24.3% to HK\$38,998,000 comparing to HK\$51,490,000 in the last financial year.

However, due to the deemed partial disposal of interest by the dilution effect following the issue and allotment of new shares by INNOMAXX Biotechnology Group Limited ("INNOMAXX"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an associated company of the Group, the share of net assets of the Group in INNOMAXX has reduced and a loss of HK\$16,959,000 generated to the Group for the year. Overall operating loss of the Group for the year reduced by 15.6% to HK\$40,752,000 from HK\$48,272,000 in 2000.

DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the year ended 31st December 2001.

BUSINESS REVIEW

The Group was solely engaged in property-related business. Due to the unfavorable investment atmosphere in Hong Kong property market in previous years, the Board has decided to diversify the business of the Group into technology-related area and through its associated company, INNOMAXX, into biotechnology area.

Property-related Business

Hong Kong

On 5th October 2001, the Group entered into a sale and purchase agreement with a company beneficially and wholly-owned by Mr Tong Nai Kan, the Chairman and Managing Director and a substantial shareholder of the Company, to acquire the property located at 9/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, with a total gross floor area of 17,042 sq. ft., at a consideration of HK\$76,000,000. The Company intends to centralise the management staff of the holding company, its major subsidiary companies and associated companies, who are working in offices in three different locations. The acquisition is expected to be completed in April 2002.

As at 31st December 2001, the Company held interests in the following properties and development projects in Hong Kong:

- (1) Two units at Dynamic Cargo Centre, Tsuen Wan, New Territories; and
- (2) Thirteen houses at Lot No. 242 in DD331, Cheung Sha, Lantau Island.



Tong Nai Kan

Chairman and Managing Director

Mainland China

The Group currently holds 50% interest in a jointly controlled entity in Mainland China, Beijing Glory Real Estate Development Company Limited (“Beijing Glory”), which carries on the business of property development, sale and rental of Fairview Garden, a property project in Chaoyang District, Beijing, PRC. On 16th August 2001, the Group entered into an agreement with an existing shareholder of Beijing Glory in relation to the sale of 42% interest in and the transfer of the amount receivable from Beijing Glory at a total consideration of RMB110,000,000 (approximately HK\$103,400,000). The transaction is expected to be completed within twelve months from the date of the agreement. Upon completion of the transaction, the Group will hold 8% interest in Beijing Glory. The disposal of the interest in Beijing Glory has made available additional financial resources for new investments of the Group.

In addition, the Group owns 31.5% interest in Beijing Long Quan Hotel Limited, the business of which is running smoothly and steadily.

Technology-related Business

Following the Board's decision in diversifying the Group's business into technology-related area, the Group has acquired controlling interest in Strong Way International Limited and entered into a professional service subcontract with Cisco System, Inc.. These investments enable the Group to lessen its reliance on property-related business. The Board is confident that the diversification of the Group's business will bring in improved returns and enhanced value for the Company's shareholders.

Strong Way International Limited

On 10th August 2001, the Group acquired 60% of the issued share capital of Strong Way International Limited (“SWIL”) for an aggregate consideration of HK\$66,000,000, satisfied by the allotment and issue of 53,000,000 new shares by the Company at an issue price of HK\$1.00 per share and payment of HK\$13,000,000 in cash.

SWIL is principally engaged in design and distribution of “SONIX” brand integrated circuits for toy manufacturing in Hong Kong and the South East Asia Region. SWIL is an agent and a distributor of “SONIX” brand integrated circuits in Hong Kong. SWIL has approximately 20 staff, dominated by engineering and sales personnel. The major revenue of SWIL is generated from design, programming, consultation and distribution of “SONIX” brand integrated circuits.

In November 2001, with the assistance of the Group, SWIL has established its first representative office in Guangzhou, PRC, aiming at exploring the huge market potential of Mainland China.

Professional Service Subcontract

Due to the downturn in the global economy and severe competition in the system integration business, the performance of the Group in the professional service subcontract with Cisco System, Inc. has not performed as forecasted. The Board has taken effective steps, both in the marketing and cost control areas, to maintain the Group's competitiveness in the system integration business.

Biotechnology Business

As at 31st December 2001, the Group held 20.17% of the issued capital of INNOMAXX, the Group's investment vehicle in biotechnology field.

During the year, INNOMAXX acquired all the issued share capital of Cell Therapy Technologies Centre Limited ("CTTC"), a company principally involves in the analysis, storage, matching and use of umbilical cord blood stem cells and the research and commercial development of stem cell therapeutic and scientific applications. CTTC is the owner of the trademark "cryoLIFE" and is presently the largest and most successful privately-owned cord blood storage center in Asia.

In 2001, CTTC has held seminars, distributed promotional VCDs and brochures to generate public awareness and understanding of cord blood storage and stem cell therapeutic applications. The Board believes that the present strategies with focus on generating public awareness of CTTC's service is successful, as the total number of clients has increased by 60% comparing to 2000.

FINANCIAL REVIEW

As at 31st December 2001, the Group had current assets of HK\$125,612,000 (2000: HK\$30,073,000) and current liabilities of HK\$120,861,000 (2000: HK\$43,230,000) and cash and bank balances amounted to HK\$8,751,000 (2000: HK\$2,114,000).

As at 31st December 2001, the Group pledged certain investment properties in Hong Kong with carrying value of approximately HK\$43,000,000 (2000: HK\$54,780,000) as securities for the bank loans amounted to HK\$25,458,000 (2000: HK\$44,378,000). The gearing ratio, as a ratio of total borrowings to shareholders' funds, was 25.4% (2000: 27.3%).

As most of the cash reserves has been placed in HK dollars short-term deposits with major banks in Hong Kong, exposure to exchange fluctuation is minimal.

PROSPECTS

The Board believes that both the turnover and profit of SWIL in the existing local market will have high growth rates in the forthcoming years. In addition, the establishment of its representative office in Guangzhou, PRC recently, is aimed at marketing the new computer peripherals and home appliances products of SONIX brand to embark on the enormous market of PRC. Although the representative office has been operating for a few months only, the prospects of SWIL in Mainland China market is optimistic.

The Board will closely monitor the Group's operation under the professional service subcontract and will take further cost control measures to maintain the Group's competitiveness in the system integration business.

On the other hand, INNOMAXX will continue to act as the investment vehicle of the Group in biotechnology business.

As a whole, the Group will actively identify opportunities to invest in the property, mainly in Mainland China, and technology-related business so as to bring in significant improved returns and contribute enhanced value to our shareholders.

Chairman's Statement (Continued)

HUMAN RESOURCES

Employee remunerations are in accordance with nature of their duties and remain competitive under current market trend.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

On behalf of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 17th April 2002