

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 diversified 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. Following the completion of the acquisition in May 2002, the Company has centralised the management staff of the holding company, its major subsidiary companies and associated companies in the property.

In addition to the above, as at 30th June 2002, the Company also 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.

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 to the Group to that shareholder at a total consideration of RMB110,000,000 (approximately HK\$103,400,000). The transaction is expected to be completed in early 2003. Upon completion of the transaction, the Group will hold 8% interest in Beijing Glory. The sale 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

Strong Way International Limited ("SWIL"), a subsidiary company of the Group, 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. 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 with Cisco

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 downsized the scale of the division since May 2002.

Biotechnology Businesses

As at 30th June 2002, the Group held 15.61% of the issued capital of INNOMAXX. INNOMAXX has been defined as the investment vehicle of the Group in biotechnology field.

Cell Therapy Technologies Centre Limited ("CTTC"), a wholly-owned subsidiary company of INNOMAXX, principally involves in the analysis, storage, 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 one of the largest and most successful privately-owned cord blood-banking centre in Asia. The operations strictly follows American Association of Blood Banks (AABB) guidelines, and has achieved the ISO9002 certification since 1999 and upgraded to ISO year 2000 version in 2002, ensuring its top quality in processing and storage of client's cord blood samples.

At present, CTTC has a 5,000 square feet laboratory and main office in Siu Lek Yuen, New Territories and two service centers in Mongkok and Wan Chai.

The service of cord blood storage is relatively new in Hong Kong. Therefore, we believe the education on the value of cord blood is very important. Since CTTC has been acquired by the Group in January 2001, it has held a number of seminars, distributed promotional VCD 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 has been successful, as the accumulated number of clients as at 30th June 2002 has increased by 42% comparing to 30th June 2001.