

Year 2000 was a year of opportunity and transformation for the Group. Both the management and business strategy underwent constructive and innovative reforms. It was a year we recognized the change of business environment and began to implement new measures to allow better growth in the future.

Together with a new management team comprising seasoned managers, financiers and last but not least other reputable scientists, I joined the Group in July 2000. The committed new management team assessed the Group's position in the market and soon conducted a thorough review of the Group's development strategy and business operations.

It is obvious that uncertainties in the property market in Hong Kong will lead to little solid growth potential for the Group. In contrast, as much as the world market for bio-technology derived drugs is growing at an exuberant rate, the demand for such drugs in the PRC alone provides an unparalleled business opportunities for the Group. We came to the logical conclusion that pursuing a new business focus in biopharmaceuticals and pharmaceuticals, leveraging the bio-medical expertise of our new management, would be an ideal advancement for the Group. Meanwhile, the existing property investment and development business as well as certain non-core businesses with very limited prospects would have to be gradually phased out.

In order to carry out these new initiatives to full extent, we have brought in more highly qualified and experienced experts in the fields of general management, quality control and GMP manufacturing in pharmaceuticals and biopharmaceuticals. A high-powered science advisory board has also been formed to render not only strong technical support but also business direction for the Group.

On top of that, the Group underwent and will continue to undergo financial restructuring in order to achieve an improved financial position. Via the restructuring and other means we have obtained adequate funds to allow us to focus on our new business. In order to generate product-based profits, the Group has acquired manufacturing facilities for synthetic pharmaceutical products and will further acquire manufacturing facilities for biopharmaceutical products. The Group is in the process of forming a network of incubators for nurturing new products that are essential for us to maintain our competitiveness, and also intends to set up distribution channels with successful mainland drug distributors in the form of joint ventures or other means. By undertaking all these strategic business activities, we aim to become a fully integrated bio-medical group targeting the PRC market and eventually the overseas market as well.

In order to emphasize on our new mission, the name of the Group has been changed to China Bio-medical Group Limited. The change of company name also expresses our commitment to excel in our new area of focus.

Finally, I would like to take this opportunity to thank all of our business partners, shareholders, executives and employees for making the transformation possible, and to extend my warmest welcome to Professor Zhou Haijun, our newly appointed independent director, and Professors Wang Guangji and Wang Kaimin, the newly appointed members of our Science Advisory Board, who for sure will have great contributions to the development of our company. We have every confidence to capture the vast opportunities in the pharmaceutical and biopharmaceutical arena in the years to come.

Wan Kwong Kee

Chairman

Hong Kong, 30 May 2001