

CHAIRMAN'S STATEMENT



Tong Nai Kan
Chairman and Managing Director

On behalf of the Board of Directors, I present to you the Group's annual report for the year ended 31st December 2002.

RESULTS

The Group's turnover for the year under review was HK\$36,463,000 (2001: HK\$25,556,000), representing an increase of 43%. Loss after taxation was HK\$36,565,000 (2001: HK\$36,303,000), representing a slightly increase of 1%.

The increase in turnover was mainly due to the disposal of the Group's only property in Hong Kong during the year which amounted to HK\$19,200,000. The loss arising from the disposal was HK\$11,300,000, representing 31% of the Group's loss after tax for the year under review. Apart from the disposal, the Group's business operation has no significant changes comparing with 2001.

BUSINESS REVIEW

Umbilical Cord Blood Storage

Established in 1996, Cell Therapy Technologies Centre Limited ("CTTC"), a wholly-owned subsidiary company of the Group, is one of the largest cord blood stem cell banks in Asia. CTTC principally involves in the processing, storage, matching and use of umbilical cord blood stem cells and the research and commercial development of stem cell therapeutic and scientific applications.

CTTC's financial performance in 2002 reflected some underlying strengths. The annual storage fee increased 59% over the previous year. This growing annual storage fee provides a predictable and expanding source of recurring revenue and is a significant contributor to a healthy cash flow performance.

From an operation perspective, CTTC has successfully recruited additional experienced and highly qualified staff to increase the number of specimens that can be processed annually and to maintain the highest standard of the laboratory. The Board believes this would make CTTC one of the Asia's largest and best providers of umbilical cord blood storage services.

Chinese Medical Health Food

On 28th March 2003, the Group acquired 10% equity interest in Universal Biotech Company Limited ("UBC"), a biotechnology company incorporated in Taiwan, the Republic of China, at a cash consideration of HK\$30,000,000. UBC's main businesses are research and development, production and sale of Chinese medical health food and Chinese medical pharmaceutical products.

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Property Investment

Mainland China

The Group holds the shopping mall situated at the second floor of GITIC Plaza, the PRC, of which the rental income has been steady with satisfactory occupation rate during the year.

On 16th December 2002, the Group acquired 20% equity interest in Happy Bright Holdings Limited ("Happy Bright") at a cash consideration of HK\$40,000,000. Happy Bright shares 85% net profit in Guangzhou Huakang Dikong Development Company Limited, a company incorporated in the PRC, of which its main business is the development and sales of Kang Wang Centre, a development project in Guangzhou, the PRC. Kang Wang Centre is a two-storey underground shopping mall located at Kang Wang Road, Liwan District, Guangzhou City, Guangdong Province, the PRC and is expected to be commenced business in the first half of 2003.

Hong Kong

Following the disposal of 27th, 28th and 29th floors and the naming right of GITIC Centre, Wanchai, Hong Kong at the price of HK\$19,200,000 by the Group to an independent purchaser on 21st June 2002, the Group held no property interest in Hong Kong.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December 2002, the Group had net current assets of HK\$67,978,000 (2001: HK\$75,833,000) and a current ratio of 2.8 (2001: 6.4). The Group's bank balances, cash and other short-term investments as at 31st December 2002 amounted to HK\$4,020,000 (2001: HK\$1,842,000). As at 31st December 2002, the Group has pledged certain unlisted securities for short-term loans amounted to HK\$20,000,000. The Group's secured bank loans and overdrafts in 2001 was HK\$13,487,000. The gearing ratio, as a ratio of total liabilities to shareholders' funds, was 13.8% (2001: 8.9%).

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

Placing of Shares

By an ordinary resolution passed on 4th December 2002, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$400,000,000 by the creation of 2,000,000,000 new shares of HK\$0.10 each.

The Company allotted and issued 70,000,000, 155,500,000 and 199,300,000 new shares of HK\$0.10 each at the issue price of HK\$0.10 per share, on 11th February, 6th May and 7th October 2002 respectively, for cash to provide additional working capital and invest in biotechnology projects to the Group. The aggregate net proceeds from the placings amounted to HK\$41,683,000.

Subsequent to the balance sheet date, the Company allotted and issued 239,200,000 new shares of HK\$0.10 each on 5th February 2003 at an issue price of HK\$0.10 per share for cash with net proceeds of HK\$23,678,000 to provide additional working capital.

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PROSPECTS

The Board believes that focusing CTTC's attention on its core business will offer the greatest opportunity to sustain and accelerate its growth. In addition, CTTC has planned to introduce cord blood storage service to the neighboring cities such as Macau and Mainland China in 2003. While in Hong Kong, CTTC is dedicating more resources to develop and execute new marketing initiatives to create public awareness of the benefits of cord blood storage and seek support from the physicians and other medical professionals for cord blood storage. In 2003, CTTC is also looking for opportunities to partner with hospitals and other medical institutions to market cord blood storage service.

In general, the Group will actively identify opportunities to invest in both of the biotechnology, especially in pharmaceutical products, and PRC property areas so as to bring in significant improved returns and contribute enhanced value to our shareholders.

HUMAN RESOURCES

As at 31st December 2002, the Group had 25 employees. Employee remunerations are in accordance with nature of their duties and remain competitive under current market trend. Staff benefits include medical schemes, Mandatory Provident Fund schemes and share options.

DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the year ended 31st December 2002.

APPRECIATION

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, 9th April 2003