

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\$55,463,000 (2001: HK\$22,825,000), representing an increase of 143%. Loss after taxation was HK\$83,405,000 (2001: HK\$65,028,000), representing an increase of 28%.

The increase in the Group's turnover was mainly contributed from the revenues generated by Strong Way International Limited ("SWIL"), a technology business subsidiary company acquired by the Group in August 2001 of which the turnover for the year 2002 was HK\$39,346,000, representing 71% of the Group's turnover. 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 and an associated company of the Group, the share of net assets of the Group in INNOMAXX has been reduced and resulting in a loss of HK\$13,682,000. In addition, the devaluation of HK\$13,350,000 for the Group's investment properties was charged to the Group's profit and loss account.

BUSINESS REVIEW

Technology-related Business

SWIL, the Group's 60% interest subsidiary, is principally engaged in design and distribution of "SONIX" brand integrated circuits for toy manufacturing in Hong Kong and the South East Asia Region. Following SONIX's announcement to launch a series of Digital Signal Processor (DSP) for educational toys, SWIL has already expanded its engineering department and sales department to explore the potential market in USA and Mainland China. After one year's development, SWIL's Guangzhou office has already built up good business relationship with a number of household appliances manufacturers in Mainland China, which provides good foundation for its future business growth.

Property-related Business

In May 2002, the Group completed the acquisition of the property located at 9/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong from Mr Tong Nai Kan, the Chairman and Managing Director and a substantial shareholder of the Company. The property has been used as the headquarters of the Group. As at 31st December 2002, the Group also held two units at Dynamic Cargo Centre, Tsuen Wan, New Territories as long-term investment.

During the year, the Group disposed the property investment of the thirteen houses at Lot No. 242 in DD331, Cheung Sha, Lantau Island, to an independent purchaser at a consideration of HK\$13,550,000.

Chairman's Statement (Continued)

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 another shareholder of Beijing Glory in relation to the sale of 42% interest in Beijing Glory and the transfer of indebtedness from Beijing Glory to the Group to that shareholder at a total consideration of RMB110,000,000 (approximately HK\$103,400,000). In January 2003, the Group entered into a supplemental agreement to reduce the consideration by RMB9,500,000 (approximately HK\$8,982,000) conditional upon receiving the balance of the consideration in cash which was formerly agreed to be settled by properties completed by Beijing Glory. The transaction is expected to be completed in May 2003. Upon completion of the transaction, the Group will hold 8% interest in Beijing Glory. The disposal of the interest in Beijing Glory 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, which is running smoothly and steadily.

Biotechnology Business

As at 31st December 2002, the Group held 13.01% of the issued capital of INNOMAXX, the Group's investment vehicle in biotechnology field.

Cell Therapy Technologies Centre Limited ("CTTC"), a wholly owned subsidiary company of INNOMAXX, is one of the largest cord blood stem cell banks in Asia. CTTC's financial performance in year 2002 reflected some underlying strengths. The revenues from annual storage fees 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.

FINANCIAL REVIEW

As at 31st December 2002, the Group had current assets of HK\$106,929,000 (2001: HK\$125,612,000) and current liabilities of HK\$134,821,000 (2001: HK\$120,861,000) and cash and bank balances amounted to HK\$5,744,000 (2001: HK\$8,751,000).

As at 31st December 2002, the Group pledged certain investment properties in Hong Kong with carrying value of approximately HK\$84,500,000 (2001: HK\$43,000,000) as securities for the bank loans amounted to HK\$62,079,000 (2001: HK\$25,458,000). The gearing ratio, as a ratio of total bank borrowings to shareholders' funds, was 93.0% (2001: 16.8%).

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.

Chairman's Statement (Continued)

PROSPECTS

The Board believes that both the turnover and profit of SWIL in the existing local market will have high growth rates in the coming few years. In addition, SWIL actively develops its Mainland China and USA markets.

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

In general, the Group will actively identify opportunities to invest in both of the property, mainly in Mainland China, and technology-related businesses so as to bring in significant improved returns and contribute enhanced value to our shareholders.

DIVIDENDS

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

HUMAN RESOURCES

As at 31st December 2002, the Group had 49 employees in Hong Kong and 20 employees in Mainland China. 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.

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, 16th April 2003