

REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the Board of Directors, I present to you the Group's annual report for the year ended 31st December 2003.

RESULTS

For the financial year under review, the turnover of the Group decreased by 50% to HK\$18,109,000 (2002: HK\$36,463,000). The decrease in turnover was mainly due to the sales of investment property of HK\$19,200,000 during 2002 while no investment property was disposed in the current year. Apart from the disposal, the Group's business operation has no significant changes comparing with 2002. Major income of the Group includes the processing and storage fees of cord blood business, and the rental income from the shopping mall in the Mainland China, which accounted for 51% and 49% of the Group's turnover, respectively. The Group's loss attributable to shareholders was HK\$35,290,000 for 2003 (2002: HK\$36,667,000), representing a decrease of 4%.

BUSINESS REVIEW

Umbilical Cord Blood Storage

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

CTTC's financial performance in 2003 reflected some underlying strengths. Income from the annual storage fee increased 29% 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

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

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Pharmaceutical Products

On 5th March 2004, the Group entered into a conditional agreement to acquire 30% equity interest in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited (“SW Treeful”), incorporated in Mainland China, from China Worldbest Life Industries Company Limited, a subsidiary company of China Worldbest Group Company Limited, a substantial shareholder of the Company, at a consideration of RMB165 million (approximately HK\$156 million), subject to adjustment. The acquisition is conditional upon, among other things, the completion of legal and financial due diligence satisfactory to the Group and approval by the independent shareholders of the Company. These conditions have not yet been met.

SW Treeful is currently the third largest transfusion agent manufacturer and distributor in Mainland China. Its annual production capacity of the transfusion agent is 370 million bottles. In 2003, the Group sold about 250 million bottles, representing a market share of 5.7% in Mainland China. SW Treeful has, as compared with its competitors, an optimum product mix. With 24 production lines, SW Treeful manufactures 12 major categories, with more than 60 varieties and over 100 specifications, in Chinese and western transfusion agent medicines. These include cardiovascular and cerebrovascular, antibiotics, antiviral, amino acid, electrolyte and basic infusions types, packed in the form of glass bottles, plastic bottles and plastic bags.

SW Treeful is recognized as a Shanghai Advanced Technology Enterprise (上海市高新技術企業), and is the Chairman of the Transfusion Agent Professional Committee of China Chemical Pharmaceutical Industry Association (中國化學製藥行業協會大輸液專業委員會主任單位). It has a top-notch independent research department with excellent R&D results. Its self-developed patented product, Salvia Miltiorrhiza Injection (丹參滴注射液), received the Invention Patent Award in Shanghai (上海市發明專利二等獎). In addition, SW Treeful is one of the three companies to produce Peritoneal Dialysis Solution (腹膜透析液) in Mainland China.

Property Investment

The Group holds the shopping mall situated at the second floor of GITIC Plaza, Guangzhou, Mainland China, of which the rental income has been steady with satisfactory occupation rate for the year under review.

At the year end, the Group held 20% equity interest in Happy Bright Holdings Limited, which shares 85% net profit in Guangzhou Huakang Dikong Development Company Limited (廣州市華康地空開發有限公司), a company incorporated in Mainland China, of which its main business is the development and sales of Kang Wang Centre, a development project in Guangzhou, Mainland China. Kang Wang Centre is a two-storey underground shopping mall located at Kang Wang Road, Liwan District, Guangzhou City, Guangdong Province, Mainland China, and is expected to commence business in the second half of 2004.

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FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December 2003, the Group had net current assets of HK\$166,993,000 (2002: HK\$67,978,000) and a current ratio of 11.5 (2002: 2.8). All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. Following the placing of new shares, the financial position of the Group is strong and the Group's bank balances, cash and other short-term investments as at 31st December 2003 amounted to HK\$104,194,000 (2002: HK\$4,020,000). As at 31st December 2003, the Group has pledged certain unlisted securities, the investment property and the receivable from Guangdong International Building Enterprises Company Limited for secured bank loan amounted to HK\$40,910,000. The gearing ratio, as a ratio of total borrowings (excluding the convertible bonds of HK\$36,000,000) to shareholders' funds, was 12.6% (2002: 7.7%).

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 and Subscription of New Shares

On 5th February and 5th August 2003, the Company allotted and issued 239,200,000 and 287,000,000 new shares respectively of HK\$0.10 each to independent investors at a price of HK\$0.10 per share. During the year, the Company issued 75,184,000 and 27,100,000 new shares of HK\$0.10 each to eligible participants through exercising their share options previously granted at exercise prices of HK\$0.10 per share and HK\$0.145 per share respectively.

Pursuant to the conditional subscription agreement dated 5th August 2003 entered with China Worldbest Group (Hong Kong) Company Limited ("China Worldbest (HK)"), an independent third party engaging in textile and pharmaceutical business in Mainland China and oversea countries, 280,000,000 new shares of HK\$0.10 each were allotted on 26th September 2003 to China Worldbest (HK) at a price of HK\$0.10 per share. China Worldbest (HK) is currently the single largest substantial shareholder of the Company with 13.30% of existing issued share capital.

Pursuant to the conditional subscription agreement dated 5th August 2003 with China Worldbest (HK), the Company issued convertible bonds of HK\$36 million at par. The bonds carry interest at 4% per annum, payable half yearly in arrears, and a right to convert into new shares of HK\$0.10 each in the issued share capital of the Company at a conversion price of HK\$0.10 per share, subject to adjustment, at any time from 9th March 2004 to 8th December 2005. The bonds, if not being converted, shall not become due nor repayable until 8th December 2005.

The aggregate proceeds for the issuance of new shares and convertible bonds was approximately HK\$127 million after deducting placing commission. HK\$15.7 million has been applied as part of the total consideration of HK\$30 million in acquiring 10% of equity interest in UBC. The remaining proceeds of approximately HK\$111.3 million will be applied as general working capital and for the acquisition of interest of SW Treeful.

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PROSPECTS

The Board believes that CTTC's business will offer a great opportunity to sustain and accelerate the growth of the Group. In addition, CTTC has planned to introduce cord blood storage service to the neighboring cities such as Macau and Mainland China in 2004. While in Hong Kong, CTTC is dedicating more resources to develop and execute new marketing initiatives. CTTC will focus its marketing efforts to create public awareness for the benefits of cord blood storage and seek support from the physicians and other medical professionals for cord blood storage. In 2004, CTTC is also looking for opportunities to partner with hospitals and other medical institutions to market cord blood storage service.

On the other hand, the Board believes that the acquisition of SW Treeful will have significant positive implications for the Group. The integration of SW Treeful's research, manufacturing and sales capabilities into our existing biotechnology business will take the Group significantly forward in its goal to further develop in the Mainland China pharmaceutical market. We believe this acquisition will help to refine the Group's corporate positioning in the pharmaceutical industry, enhance revenue contributions from the pharmaceutical business while improving overall profitability, and pursuing the best interests of shareholders.

The Board is of the opinion that the strong economic growth in Mainland China, the rise of per capita income, and reforms in the medical insurance system have encouraged the general population to increase their spending in health care. This in turn has nurtured the positive development of the pharmaceutical market in China. Capitalizing on the brand advantage of "CWGC" and its leading position in Mainland China, SW Treeful's existing business network, together with the full support of our major shareholder, CWGC, the Board's goal is to build SW Treeful into the most competitive transfusion group in Mainland China, while becoming an integrated pharmaceutical enterprise with strategic coverage in China and overseas.

In general, following the proposed acquisition of SW Treeful, the Group will concentrate on developing the transfusion agent business, and will actively identify investment opportunities in the areas of biotechnological and natural medicine. The Board believes the Group's future is particularly bright given its present redefined focus and will bring in significant improved returns and contribute enhanced value to its shareholders.

HUMAN RESOURCES

As at 31st December 2003, the Group had 37 and 2 employees in Hong Kong and Mainland China respectively. 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 for Hong Kong employees.

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DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the year ended 31st December 2003.

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

Qi Xianchao

Executive Director & Chief Executive Officer

Hong Kong, 7th April 2004