

Chairman's Statement

On behalf of the Board of Directors, I present to the shareholders the annual report of the Company for the year ended 31 December 2003.

RESULTS

The Board of Directors would like to report that for the year ended 31 December 2003, the Group achieved a consolidated turnover of approximately HK\$66,404,000, a decrease of 17.5% from the last financial year. Loss attributable to shareholders was approximately HK\$88,156,000 compared with approximately HK\$30,147,000 in 2002. Loss per share was 7.37 cents (2002: 3.58 cents per share).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2003 (2002: Nil).

REVIEW AND PROSPECTS

Production and Sales

The Group has continued to reinforce our previous commitment in improvement of our cost control and profit margin in 2003. The Group focused on reduction of operation cost and has reduced some of our production capacity in order to achieve the optimization of cost. As a result, the Group recorded a decrease in turnover in 2003 by 17.5%. The decrease in turnover was also resulted from the Group's prudent approach taken after the outbreak of SARS in China in 2003. In view of the competitive health drinks market in China, the Group has reduced the budget for promotion and development of certain lines of health drinks products which are under development in our pipeline.

During the year, the Group disposed of its 76% effective equity interest in Guangdong Apollo Group Li Cheng Pharmaceutical Factory for an amount of HK\$9,051,000 to improve the Group's cash position and to reduce excess production capacity.

Development of New Products

After the SARS period the Group was aware that China has opened up a growing opportunity for the market of drug and intermediate material for drug manufacturing, and, diseases diagnosis, the Group has entered into the business for diagnostic products. The Group has moved into the testing market on Autoimmune Diseases by acquiring a worldwide development right of a technology "QuProbe" in genomic research and diagnostic for research and clinical analysis. The Group has also decided to expand the genomic diagnostic platform into cancer diagnosis market in China in 2004.

The Group also acquired the Asian marketing and distribution right in a Micro-imaging System which has a visualization software that transforms material into high fidelity 3D digital data. However, the Group was unable to obtain sufficient technical support from the inventor of the technology to optimize the application of the Micro-imaging System in the Asian market. The Group felt that it was more appropriate to employ the resources more efficiently into other areas, therefore, the Group decided to dispose of the entire interest in this technology to the vendor at substantially the same price in March 2004.

During the year, the Group has also been actively seeking for partners in China for developing the intermediate biochemical products for industrial and drug manufacturing in order to capture the enormous demand for raw materials for drug products in the world, but the opportunities for success in trading of this kind of business has not arisen yet.

Chairman's Statement

The Group has a strong belief in new drug with cutting edge technology and has continued in investing in drug development. The new anti-thrombosis drug under our development pipeline has shown anti-thrombolytic effect and was under continuous development in the animal study stage in China. The Group has also identified a few new drug candidates in China and has commenced the research and development works.

OUTLOOK

The year of 2004 will be a year for the Group to improve the business. With the huge opportunity in diagnostic and pharmaceutical market in China, the Group will focus on a few crucial projects which offer great promises in the market in China. The Group will continue to streamline the operation by cutting cost and down-sizing the unprofitable business and will actively seeking for collaboration opportunities with pharmaceutical companies for diversifying our products and market.

Since the Group has the financial needs for generating solid progress for the new projects under development, the Group has decided to propose fund raising by way of Open Offer in May 2004. This Open Offer exercise will offer our shareholders a fair chance to participate in subscribing for new shares and participate in the growth of the Group. The Group has committed to grow with healthy financial position and maintain low-gearing position.

ACKNOWLEDGEMENTS

I take this opportunity to thank all my fellow directors for their valuable contributions to the Group. I also like to express my deep appreciation to our shareholders, customers and business associates and partners, as well as our staff, for commitment and diligence during the year and I look forward to their continuous support and dedication to the Group.

By order of the Board

LO Yuk Yee

Chairman

Hong Kong, 29 April 2004