



**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 2001.

## RESULTS

The Group's turnover and audited loss after taxation for the year under review was HK\$25,556,000 (2000: HK\$18,255,000) and HK\$36,303,000 (2000: HK\$4,265,000) respectively.

The increase in turnover was mainly contributed from the revenues generated by a newly-acquired subsidiary company in cord blood storage business. The increase in net loss was due to the increase in the administrative expenses of the Group, including marketing expenses and goodwill amortisation of the newly-acquired subsidiary company and additional management fees of approximately HK\$7.8 million covering the period from March 1997 to December 2000, for the Group's property situated on the second floor, GITIC Plaza,

Guangzhou, PRC, in exchange for the settlement of disputes for the amount receivable from that property. Apart from the increased administrative expenses, the Group also recorded a deficit of approximately HK\$15.3 million for the year under review arising from the revaluation of the Group's investment properties in Hong Kong.

## BUSINESS REVIEW

The Group was engaged solely in property investment. Due to the poor investment atmosphere in Hong Kong property market in previous years, the Board has decided to diversify the businesses of the Group into biotechnological area since mid 2000.

### Property Investment

As mentioned in the 2000 annual report of the Company, part of the rental for the shopping mall situated at the second floor of GITIC Plaza, PRC, which was received by a former fellow subsidiary company on behalf of the Company is yet to be recovered. In June 2001, the Group entered into a new property management agreement with effect from 1st January 2001. The Group continues to negotiate with this company for the settlement of the amount receivable by the Group.

On 29th March 2001, the Group completed the purchase of 29th floor and the naming right of GITIC Centre, Wanchai, Hong Kong ("GITIC Centre") at the price of HK\$3,000,000 in cash. The transaction constitutes a connected transaction under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an announcement of the transaction was made on 1st February 2001.

# CHAIRMAN'S STATEMENT

As at 31st December 2001, 27th, 28th and 29th floors of GITIC Centre, were the only property investments of the Group in Hong Kong. The 28th and 29th floor are now used as the Company's office, whereas all the units of the 27th floor have been leased.

## **Cord Blood Storage**

On 22nd January 2001, the Company acquired all the issued share capital of Cell Therapy Technologies Centre Limited ("CTTC") at a consideration of HK\$30,000,000, which was settled by the allotment and issue of 100,000,000 new shares of HK\$0.10 each by the Company at an issue price of HK\$0.30 per share.

CTTC principally involves in the analysis, storage, matching and use of umbilical cord blood stem cells and the research and commercial development of stem cell therapeutic and scientific applications. CTTC is the owner of the trademark "cryoLIFE" and is presently the largest and most successful privately-owned cord blood-banking centre in Asia.

To provide better service to its clients, CTTC has moved to a 5,000 square feet laboratory and main office in Siu Lek Yuen, New Territories in December 2000, and has established two new service centers in Mongkok, Kowloon and Wan Chai, Hong Kong in June 2001.

The service of cord blood storage is relatively new in Hong Kong. Therefore, we believe the education on the value of cord blood is very important. In the past year, CTTC has held seminars, distributed promotional VCD and brochures to generate public awareness and understanding of cord blood storage and stem cell therapeutic applications. Furthermore, CTTC has appointed an experienced doctor and a nurse as its medical consultants during the year to strengthen its technical support and enhancement in quality service to its clients.

The Board is of the opinion that the present strategies with focus on generating public awareness of CTTC's service has been successful, as the total number of clients has increased by 60% comparing to the previous year.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31st December 2001, the Group had a net current assets of HK\$75,833,000 (2000: HK\$60,156,000) and a current ratio of 6.4 (2000: 13.3). The Group's bank balances, cash and other short-term investments as at 31st December 2001 amounted to HK\$1,842,000 (2000: HK\$8,772,000). As at 31st December 2001, the Group has pledged certain property investments in Hong Kong as securities for the bank loans and overdrafts amounted to HK\$13,487,000 (2000: nil). The gearing ratio, as a ratio of total liabilities to shareholders' funds, was 8.9% (2000: 1.9%).

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 6th July 2001, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of 1,200,000,000 new shares of HK\$0.10 each.

On 18th June 2001 and 21st December 2001, the Company allotted and issued 116,500,000 and 70,000,000 new shares of HK\$0.10 each at the issue price of HK\$0.20 and HK\$0.11 per share respectively, for cash to provide additional working capital to the Group. The aggregate net proceeds from the placings amounted to HK\$30,536,000.

Subsequent to the balance sheet date, the Company allotted and issued 70,000,000 new shares of HK\$0.10 each on 11th February 2002 at an issue price of HK\$0.10 per share for cash with net proceeds of HK\$6,839,000 to provide additional working capital to the Group.

## PROSPECTS

Looking ahead, CTTC will continue its strategies in taking the educational approach to generate the public awareness of its service and it will also improve in the areas of its technical support and customer service. The Board anticipates that the revenue and profit from CTTC will continue improving and will make significant contribution to the Group within a few years.

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

## HUMAN RESOURCES

Employee remunerations are in accordance with nature of their duties and remain competitive under current market trend.

## AUDIT COMMITTEE

In March 2001, Mr Cheung Ming Man was appointed as Executive Director of the Company and was in turn resigned as the member of the audit committee. In the meantime, Mr Ko Ming Tung, Edward was appointed as independent non-executive Director and member of the audit committee of the Company.

# CHAIRMAN'S STATEMENT

## DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 31st December 2001.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24th May 2002 to Monday, 27th May 2002, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending the forthcoming Annual General Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Central Registration Hong Kong Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 23rd May 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 the 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, 3rd April 2002