

Chairman's Statement



*Mr. Tse Ping (chairman)
attending the Main Board
Listing Ceremony in the Stock
Exchange
(8 December, 2003)*

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to report a profitable year ended 31 December, 2003 for the Group.

The year 2003 was the first year of the Company successfully listed on the Main Board in place of the GEM of the Stock Exchange and was also a year of the Group achieving greatest success in research and development. Sales from new products amounted to 39.6% of the Group's total turnover, and the Group continuously shows the strong capabilities in the future development. Despite the impact of the Severe Acute Respiratory Syndrome ("SARS"), the Group recorded a turnover of approximately HK\$821.70 million this year, representing an increase of 18.7% over the corresponding period last year. Profit attributable to shareholders amounted to approximately HK\$81.62 million, representing an increase of approximately 42.3% over the corresponding period last year. Basic earnings per share amounted to approximately HK24.6 cents, representing an increase of approximately 30.2% over the corresponding period last year.

In October, 2003, the Group successfully acquired 35% equity interests in Beijing Tide, which provides another growth platform for the Group and establishes a solid foundation for its sustainable development.

The Company announced a proposal for the Share Subdivision of every issued and unissued Shares of HK\$0.10 each into four shares of HK\$0.025 each, subject to the approval by shareholders of the Company. It is believed that the Share Subdivision should improve liquidity of the trading in the shares of the Company in the market and will enable the Company to attract more investors and widen its shareholder base.

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INDUSTRY OVERVIEW

In 2003, there were no significant changes in the operating environment of the pharmaceutical industry. The PRC continued to impose controls over the price of basic medical drugs and medical advertisements and promotions, while medical institutions continued to step up the implementation of drug purchases by tendering. Market competition has been intensified and there was a structural change in the pharmaceutical industry during the SARS outbreak. In 2003, the macro-economy of the industry in the PRC as a whole was optimistic. Consumption continued to increase, especially in the rural medical market and non-prescription (OTC) sales market due to the increasingly aging population and the improvement in people's living standards in the PRC (excluding Taiwan, Hong Kong and Macau). The imminent implementation deadline for GMP has accelerated the reconstruction of pharmaceutical enterprises and integration of drug production. Intensifying competition polarizes the pharmaceutical enterprises into two district areas. Enterprises which lack market strength in technology, quality and price will encounter more problems. Market share and effectiveness will become concentrated on strong enterprises within the industry, while the external environment in pharmaceutical production enterprises will gradually optimize.

BUSINESS REVIEW

In view of these conditions in the PRC's pharmaceutical market, the Group continued to strengthen its management and its own corporate culture to establish a strong and comprehensive management systems, and continually refine its products structure and marketing strategies.

1. Research and Development: Focus R&D on "principal" products with turnover of over HK\$100 million; follow up on the effects of developed products; carry out innovative self development; combine co-development with non-patent drug development.



Beijing Tide's new factory and its principal product

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2. Sales and Marketing: Operational entities formulate their respective sales strategies based on their own product structure – promoting the branding impact of principal products, brand management and brand extension; emphasizing on the academic promotion; enhancing the sales of middle end products; fostering new products with clear market potential; seeking market expansion and developing point-of-sales;
3. Management: Focus on developing management and crisis management. In addition, the Group adopted a human resource policy, in which the talent allocation is based upon the individual's contributions within the Group. Systematic yet people-oriented management; insight into the market and rapid response capabilities; good incentive mechanisms, all facilitate the continuous improvement of the Group's operating results.

According to the Chinese Medicine Annual Report 2003, CTF, JCTT, CTQ and Beijing Tide were ranked among the Top 100 entirely independent audited enterprises in terms of aggregate profit.

BUSINESS STRATEGIES

1. Technology: Develop biotechnology and modernized Chinese medical technology as core technologies, together with innovation in the co-development of non-patent drugs. Introduce advanced domestic and international pharmaceutical technologies to enhance existing technologies for pharmaceutical development, integrate the R&D capabilities of JCTT, CTF and CT Green Continent, improving product development and enhancing the Group's capabilities in R&D, and the Group's innovation and ability to obtain invention patents. Leverage the integration of internal and external technological resources, the application of high-throughput molecule screening systems and high-throughput molecule specification systems, to explore Monoclonal Antibodies and other new genetic engineering medicines thereby enhancing the Group's technological exclusiveness.



Workshop of NJCTT



R&D centre of CT Green Continent

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2. Human Resources: Fully capitalize on JCTT and CTF's core business to explore market potential. The Group aims to strengthen corporate management by advocating innovations in sales and marketing, internal management and financial management, to stimulate creativity among employees and achieve effectiveness both in the market and within the Group.
3. Forming alliances with strategic partners via acquisitions and mergers, while also streamlining product structure and enhancing product quality. Take advantage of the Group's existing distribution network to form strong alliances. By complementing the Group's strengths, corporate economic effectiveness will be enhanced, the core business strengthened and the Group will become one of the leading enterprises in biopharmaceutical and modernized Chinese medicine industry.

OUTLOOK AND PROSPECT

The core business of the Group is the production of biopharmaceutical products and modernized Chinese medicines, which represent the high technology and fast growing potential in the pharmaceutical industry. The Group will continue to operate in these high tech areas, building a stable earnings base, a popular brandname, obtaining 14 GMP certificates granted to production workshops as well as its solid and expanding market share. The Group has established a clear competitive edge sufficient to maintain a strong position in the PRC pharmaceutical industry, and to attract established alliances which will add to its corporate strength.



JCTT's principal products

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The Directors believe that continuous improvement in the Group's R&D capabilities will facilitate the launch of new products. The Group will strengthen its innovative R&D power as the successful experience of new medicines developed in cooperation with domestic and foreign R&D institutes sets a good basis for future cooperation with those domestic and foreign R&D institutes. The Group will also increase and improve its production facilities for satisfying GMP requirement to ensure the quality of the Group's products and its production capabilities, foster and build up the sales network and form strategic alliances with business partners through acquisitions and mergers, creating new growth drivers for the Group's business. Meanwhile, the Group will strengthen internal management and improve the quality of corporate management. It will also work to capture a bigger market share through effective management and marketing strategies in order to enhance the ability of the Group for continuous development. The Group believes that these developments will bring profitable returns to shareholders.

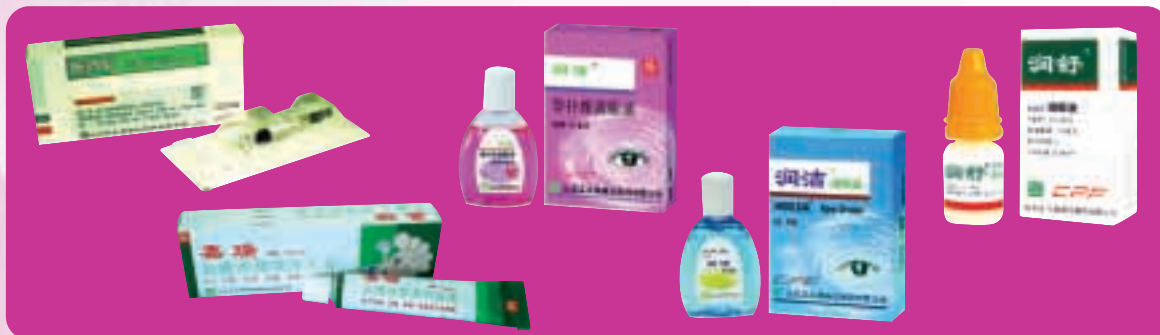
APPRECIATION

On behalf of the Board of Directors, I would like to extend my thanks to our shareholders for their full trust, support and understanding, and to all our staff for their hard work, diligence, creativity and loyalty.



Tse Ping
Chairman

23 March, 2004



CTF's principal products