

NOTES TO THE ACCOUNTS

11 SUBSIDIARY COMPANIES (Continued)

Particulars of the subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2000	1999		
* Biogrowth Assets Limited	British Virgin Islands/ Hong Kong	100	–	US\$1	Investment holding
China Kent Development Limited	Hong Kong	100	100	HK\$2 ordinary HK\$10,000 non-voting deferred	Property investment
Fullgain International Investment Limited	Hong Kong	100	–	HK\$2	Securities investment
INNOMAXX (Hong Kong) Limited	Hong Kong	100	–	HK\$2	Dormant
* INNOMAXX Property (BVI) Limited (Formerly GITIC Property (BVI) Limited)	British Virgin Islands/ Hong Kong	100	100	US\$2	Investment holding
INNOMAXX (China) Properties Limited (Formerly GITIC Properties Limited)	Hong Kong/ Mainland China	100	100	HK\$10,000	Property investment
* Longship Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Sinorich Technology Development Limited	Hong Kong	100	–	HK\$2	Property leasing

* Subsidiary companies directly held by the Company

NOTES TO THE ACCOUNTS

12 DEBTORS AND PREPAYMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	38,453	–	–	–
Other debtors	14,036	48,275	14,055	48,275
Deposits and prepayments	3,794	703	788	275
	<u>56,283</u>	<u>48,978</u>	<u>14,843</u>	<u>48,550</u>

Trade debtors include an amount receivable from GIBE amounting to HK\$38,408,000 (1999: HK\$28,683,000 classified under amounts due by group companies). This receivable represents rental income from the Property collected by GIBE on behalf of the Group after netting off the estimated property management fees payable as explained in note 5(c) above. Since Guangdong International Trust & Investment Corporation (“GITIC”), the former ultimate holding company, commenced liquidation in October 1998, GIBE faced cash flows and other financial constraints. As a result, the Group continues negotiating with GIBE for a settlement plan of this receivable in conjunction with the terms of the proposed property management agreement. In March 2001, the Group proposed to collect rental directly and be responsible for all related expenses in Mainland China. The Directors are unable to predict with certainty the final outcome of the negotiations with GIBE but currently do not anticipate any significant provision against this receivable.

Rental income from tenants is due and payable in advance. In view of the circumstances explained above, the Directors consider that it is not meaningful to present an ageing analysis of the receivable from GIBE. The ageing of the remaining trade debtors is below 30 days.

Other debtors at 31st December 1999 represented the balance of the consideration for the disposal of the construction materials trading business.

NOTES TO THE ACCOUNTS

13 AMOUNTS DUE BY/(TO) GROUP COMPANIES

	Group		Company	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable				
Intermediate holding company	–	8,669	–	4,192
Fellow subsidiary company	–	28,683	–	–
Provision	–	(8,669)	–	(4,192)
	<u>–</u>	<u>28,683</u>	<u>–</u>	<u>–</u>
Amount payable				
Intermediate holding company	–	(31)	–	–
	<u>–</u>	<u>28,652</u>	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>28,652</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Following a change of the major shareholder of the Company in May 2000, the above receivable and payable have been reclassified under debtors and creditors, respectively.

14 TRADING SECURITIES

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	7,580	–
	<u>7,580</u>	<u>–</u>

15 CREDITORS AND ACCRUALS

	Group		Company	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other creditors	31	–	–	–
Accrued expenses	4,868	6,723	4,529	6,427
	<u>4,899</u>	<u>6,723</u>	<u>4,529</u>	<u>6,427</u>
	<u><u>4,899</u></u>	<u><u>6,723</u></u>	<u><u>4,529</u></u>	<u><u>6,427</u></u>

NOTES TO THE ACCOUNTS

16 SHARE CAPITAL

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
800,000,000 shares of HK\$0.10 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
484,728,853 shares (1999: 484,728,853 shares) of HK\$0.10 each	<u>48,473</u>	<u>48,473</u>

Under the Company's share option scheme (the "Scheme") approved by the shareholders of the Company on 11th March 1997, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Scheme. During the year, no new options were granted and options to subscribe for 20,840,000 shares (1999: 740,000 shares) were lapsed.

As at 31st December 2000, outstanding options under the Scheme, none of which has been exercised, are as follows:

Date granted	Period during which options are exercisable	Exercise price per share	Number of share options outstanding	
			2000	1999
		<i>HK\$</i>		
15th November 1997	15th May 1998 to 10th March 2007	1.31	19,110,000	37,450,000
10th February 1998	10th August 1998 to 10th March 2007	0.68	1,500,000	4,000,000
			<u>20,610,000</u>	<u>41,450,000</u>

Subsequent to the balance sheet date, 100,000,000 new shares of HK\$0.10 each were allotted and issued by the Company at an issue price of HK\$0.30 per share as consideration for the acquisition of a subsidiary company (note 23).

NOTES TO THE ACCOUNTS

17 RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
At 31st December 1998	144,623	152,150	124	(9,436)	287,461
Changes in exchange rates	–	–	(4)	–	(4)
Realised during the year	–	–	(120)	–	(120)
Loss for the year	–	–	–	(79,985)	(79,985)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1999	144,623	152,150	–	(89,421)	207,352
Loss for the year	–	–	–	(4,265)	(4,265)
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At 31st December 2000	<u>144,623</u>	<u>152,150</u>	<u>–</u>	<u>(93,686)</u>	<u>203,087</u>
Company					
At 31st December 1998	144,623	234,944	–	(94,802)	284,765
Loss for the year	–	–	–	(77,440)	(77,440)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1999	144,623	234,944	–	(172,242)	207,325
Loss for the year	–	–	–	(14,095)	(14,095)
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At 31st December 2000	<u>144,623</u>	<u>234,944</u>	<u>–</u>	<u>(186,337)</u>	<u>193,230</u>

Contributed surplus represents the difference between the net assets value of subsidiary companies acquired and the nominal value of the shares issued by the Company pursuant to the group reorganization in March 1997.

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is available for distribution to shareholders. Accordingly, total distributable reserves of the Company at 31st December 2000 were HK\$48,607,000 (1999: HK\$62,702,000).

NOTES TO THE ACCOUNTS

18 DEFERRED TAXATION

	Group	
	2000	1999
	HK\$'000	HK\$'000
Balance brought forward	–	93
Disposal of subsidiary companies	–	(93)
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Balance carried forward	–	–
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Deferred taxation was provided for timing differences in respect of accelerated depreciation allowances.

Accumulated taxation losses available to the Group and the Company at 31st December 2000 for carry forward to set off against future charges for Hong Kong profits tax are estimated at approximately HK\$64.7 million (1999: HK\$54.8 million) and HK\$19 million (1999: HK\$12.7 million) respectively. Future tax benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation. There are no other material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

19 COMMITMENTS

(a) Capital commitments

	Group	
	2000	1999
	HK\$'000	HK\$'000
Contracted but not provided for	2,349	–
Authorised but not contracted for	–	–
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	2,349	–
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As at 31st December 2000, the Group also has a commitment to acquire a subsidiary company (note 23).

NOTES TO THE ACCOUNTS

19 COMMITMENTS (Continued)

(b) Operating lease commitments

At 31st December 2000, there were commitments payable within the next twelve months in respect of land and buildings under operating leases expiring in the following years:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
2000	–	170
2002	162	–
2003	1,115	–
	<u>1,277</u>	<u>170</u>

20 RETIREMENT BENEFITS

The Group does not operate any retirement benefit schemes for employees. In view of the limited number of employees employed by the Group and their length of services, the Directors are of the opinion that any payments under the Hong Kong Employment Ordinance on the termination of the employment of these employees would not be significant.

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash inflow from operating activities

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(4,265)	(80,687)
(Surplus)/deficit on revaluation	(10)	19,790
Dividend income	(16)	–
Interest income	(1,294)	(132)
Interest expense	2	4,689
Depreciation	1,181	3,895
Loss on disposal of subsidiary companies	–	37,774
Decrease in inventories and construction contracts in progress	–	18,421
(Increase)/decrease in debtors and prepayments	(7,305)	42,465
Increase/(decrease) in net amounts due to group companies	28,652	(11,157)
Decrease in creditors and accruals	(1,824)	(1,213)
Increase in trading securities	(7,580)	–
Net cash inflow from operating activities	<u>7,541</u>	<u>33,845</u>

NOTES TO THE ACCOUNTS

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiary companies

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed		
Fixed assets	–	55,867
Debtors and prepayments	–	52,300
Inventories and construction contracts in progress	–	64,402
Tax recoverable	–	1,106
Cash and bank balances	–	1,751
Bank loans and overdrafts	–	(46,621)
Other loans	–	(3,059)
Creditors and accruals	–	(18,037)
Amounts due to group companies	–	(19,367)
Deferred taxation	–	(93)
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	–	88,249
Exchange fluctuation reserve	–	(120)
Loss on disposal	–	(37,774)
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Net cash consideration	–	50,355
Bank loans and overdrafts sold	–	46,621
Other loans sold	–	3,059
Cash and bank balances sold	–	(1,751)
Balance of consideration receivable (<i>note 12</i>)	–	(48,275)
	<hr/>	<hr/>
Net cash inflow on disposal of subsidiary companies	–	50,009
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The subsidiary companies disposed of during 1999 generated HK\$34,979,000 to the Group's net operating cash flows, paid HK\$4,574,000 in respect of net returns on investments and servicing of finance, received HK\$416,000 in respect of taxation, and utilised HK\$1,050,000 for investing activities.

NOTES TO THE ACCOUNTS

22 RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business activities during the year:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property management expenses (<i>note 5(c)</i>)	1,716	1,968
Purchase of motor vehicles (<i>note a</i>)	1,700	–
Rental expenses (<i>note b</i>)	–	1,000
	<u> </u>	<u> </u>

- (a) The Group purchased two motor vehicles from Tradextend Investments Limited and Linking Investment Limited, both of which are beneficially owned by Mr Tong Nai Kan, the Chairman and Managing Director and substantial shareholder of the Company, or his associates, at a consideration of HK\$900,000 and HK\$800,000 respectively. The prices were arrived at with reference to valuations by an independent automobile company.
- (b) A subsidiary company leased a retail outlet from Mr Lam Yau Pui, a former Director of the Company, pursuant to a lease agreement dated 30th April 1996. The monthly rental was determined with reference to professional valuation.

23 SUBSEQUENT EVENTS

- (a) On 31st October 2000, the Group entered into an agreement to acquire 100% equity interest in Cell Therapy Technologies Centre Limited, which is incorporated in Hong Kong and principally engaged in biotechnology business. The acquisition was completed on 22nd January 2001 and the consideration of HK\$30,000,000 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.
- (b) On 31st January 2001, the Group entered into an agreement to acquire a property from Rich Key Enterprises Limited, a wholly owned subsidiary company of GITIC Hong Kong, at a cash consideration of HK\$3,000,000. The purchase was completed on 29th March 2001.

24 CHANGE OF NAME

By a special resolution passed at an Extraordinary General Meeting held on 8th December 2000, the Company changed its name from GITIC Enterprises Limited to INNOMAXX Biotechnology Group Limited with effect from 23rd December 2000.

25 APPROVAL OF THE ACCOUNTS

The accounts were approved by the board of Directors on 4th April 2001.