



NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th June 2002

1. Basis of preparation

The financial statements of the Group have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in conformity with generally accepted accounting principles in Hong Kong. In 2002, the Group adopted the revised SSAP 1 and revised SSAP 15 and comparative figures in the consolidated financial statements have been restated to conform with current periods' presentation.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2001 Annual Report and Account.

3. Turnover and segment information

The Group is principally engaged in property investment, processing and storage of cord blood.

Turnover represents sales of investment properties, gross rental and income from processing and storage of cord blood.

In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

A summary of business segments is set out as follow:

	2002		2001	
	Operating		Operating	
	Turnover	results	Turnover	results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of investment properties	19,200	(11,742)	—	—
Rental income	4,557	1,378	6,392	4,365
Biotechnology (cord blood)	3,853	(1,830)	3,196	114
Securities trading	—	—	5,043	151
Corporate	—	(5,759)	—	(7,566)
	<u>27,610</u>	<u>(17,953)</u>	<u>14,631</u>	<u>(2,936)</u>

A summary of geographical segments is set out as follow:

	2002		2001	
	Operating		Operating	
	Turnover	Results	Turnover	results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	23,393	(20,634)	8,682	(6,993)
Mainland China	4,217	2,681	5,949	4,057
	<u>27,610</u>	<u>(17,953)</u>	<u>14,631</u>	<u>(2,936)</u>

4. Loss from operations

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Gross rental income	4,557	6,392
Less: related outgoings	(3,179)	(2,027)
Realised profit on sales of trading securities	—	155
	<u><u> </u></u>	<u><u> </u></u>
and after charging:		
Depreciation	1,341	1,240
Amortisation of goodwill	1,457	1,214
Operating lease rental expenses for land and buildings	863	799
	<u><u> </u></u>	<u><u> </u></u>

5. Financial expenses

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on short-term loan wholly repayable within five years	847	—
Interest on bank loan wholly repayable within five years	268	—
Interest on bank loan not wholly repayable within five years	—	264
Interest on bank overdrafts	87	—
Interest on finance lease obligations wholly payable within five years	27	—
	<u><u> </u></u>	<u><u> </u></u>
	1,229	264

6. Taxation

	2002 HK\$'000	2001 HK\$'000
Overseas taxation	<u>422</u>	<u>1,348</u>

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2001: Nil).

Provision has been made at the rate of taxation prevailing in Mainland China on the estimated assessable profit for the period.

7. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK\$19,604,000 (2001: HK\$4,548,000) and on the weighted average number of 935,612,415 shares (2001: 581,494,046 shares) in issue during the period.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option scheme.

8. Capital expenditure

	Fixed assets HK\$'000	Goodwill HK\$'000	Total HK\$'000
Net book amount at 31st December 2001	183,325	26,468	209,793
Additions	259	—	259
Disposals	(30,502)	—	(30,502)
Depreciation and amortisation	<u>(1,341)</u>	<u>(1,457)</u>	<u>(2,798)</u>
Net book amount at 30th June 2002	<u>151,741</u>	<u>25,011</u>	<u>176,752</u>
Net book amount at 31st December 2000	191,404	—	191,404
Additions	8,440	29,139	37,579
Acquisition of a subsidiary company	1,290	—	1,290
Disposals	(10)	—	(10)
Depreciation and amortisation	<u>(1,240)</u>	<u>(1,214)</u>	<u>(2,454)</u>
Net book amount at 30th June 2001	<u>199,884</u>	<u>27,925</u>	<u>227,809</u>

9. Goodwill

	30th June 2002	31st December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost	29,139	29,139
Accumulated amortisation	(4,128)	(2,671)
At 30th June 2002	<u>25,011</u>	<u>26,468</u>

10. Debtors and prepayments

	30th June 2002	31st December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	32,815	32,715
Other debtors	94,684	53,324
Deposits and prepayment	4,290	1,842
	<u>131,789</u>	<u>87,881</u>

Trade debtors include an amount receivable from Guangdong International Building Enterprises Company Limited ("GIBE"), a former fellow subsidiary company amounting to HK\$31,780,000 (2001: HK\$31,316,000). This receivable represents rental income from the Group's property collected by GIBE on behalf of the Group after netting off the property management fees payable. 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 term of proposed property management agreement. In 2001, the liquidators of GITIC proposed to restructure GIBE and dispose of its interest in GIBE. Since GIBE has significant property interest in Guangzhou, the Directors are confident that the amount will be fully recoverable following the restructuring of GIBE. 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.

At 30th June 2002, the ageing analysis of the Group's trade debtors, excluding the receivable from GIBE, was as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Below 30 days	568	571
30 to 60 days	128	288
61 to 90 days	133	235
Over 90 days	206	305
	<u>1,035</u>	<u>1,399</u>

11. Creditors and accruals

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Trade creditors	253	331
Other creditors	4,286	3,883
Accrued expenses	4,906	5,056
	<u>9,445</u>	<u>9,270</u>

At 30th June 2002, the ageing analysis of the trade creditors was as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Below 30 days	226	275
30 to 60 days	—	56
Over 90 days	27	—
	<u>253</u>	<u>331</u>

12. Long-term liabilities

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Bank loan, secured and not wholly repayable within five years	—	10,528
Obligations under finance leases wholly payable within five years	645	709
	645	11,237
Current portion included under current liabilities	(136)	(841)
	509	10,396

The bank loan is repayable in the following years:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Within one year	—	711
In the second year	—	748
In the third to fifth year	—	2,486
After the fifth year	—	6,583
	—	10,528

The finance lease obligations are payable in the following years:

	Minimum payments HK\$'000	Present value HK\$'000
Within one year	180	136
In the second year	180	148
In the third to fifth year	389	361
	749	645

13. Share capital

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Authorised:		
2,000,000,000 shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
996,728,853 shares (2001: 771,228,853 shares) of HK\$0.10 each	<u>99,673</u>	<u>77,123</u>

On 11th February 2002 and 6th May 2002, the Company allotted and issued 70,000,000 and 155,500,000 new shares of HK\$0.10 each at the issue price of HK\$0.10 per share, for cash to provide additional working capital to the Group. All the new issued shares rank pari passu with the existing shares.

14. Commitments

(a) Capital commitments

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Contracted but not provided for	—	98
Authorised but not contracted for	—	—
	<u>—</u>	<u>98</u>

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
2002	744	1,528
2003	983	983
	<u>1,727</u>	<u>2,511</u>

(c) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following years:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
2002	4,826	9,764
2003	7,225	8,179
2004	6,301	7,279
2005	6,262	7,279
2006	5,588	6,699
2007 and afterwards	<u>44,956</u>	<u>45,052</u>
	<u><u>75,158</u></u>	<u><u>84,252</u></u>

15. Acquisition of a subsidiary company

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Net assets acquired		
Fixed assets	—	1,290
Debtors and prepayments	—	1,295
Cash and bank balance	—	962
Creditors and accruals	—	(2,686)
	—	<u>861</u>
Goodwill on acquisition (<i>note 9</i>)	—	<u>29,139</u>
Purchase consideration	—	30,000
Issue of new shares as consideration	—	(30,000)
Cash and bank balance acquired	—	<u>962</u>
Net cash inflow on acquisition of a subsidiary company	<u><u>—</u></u>	<u><u>962</u></u>

On 22nd January 2001, the Group acquired 100% of the share capital of Cell Therapy Technologies Centre Limited, which is incorporated in Hong Kong, whose principal activities are processing and storage of cord blood.