

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December. Subsidiary companies are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The profit or loss on the disposal of a subsidiary company is calculated as the difference between the net disposal proceeds and the Group's share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised or previously taken directly to reserves.

(b) Goodwill

Goodwill represents the difference between the costs of acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiary companies at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss account as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management. Associated companies are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases of more than twenty years are carried at open market value based on annual valuations by independent valuers at the balance sheet date. Deficits in valuation are charged to the profit and loss account; increases are first credited to the profit and loss account to the extent of valuation deficits previously charged on a portfolio basis and thereafter credited to the investment property valuation reserve. Upon the disposal of an investment property, any relevant revaluation surplus is transferred to the profit and loss account.

No depreciation is provided in respect of investment properties held on leases of more than twenty years. Depreciation of other fixed assets is calculated to write off the cost of the assets over their estimated useful lives or if shorter, the relevant finance lease periods, using the straight-line method, at the following annual rates:

Leasehold improvements	15 to 33- $\frac{1}{3}$ %
Furniture and equipment	9 to 33- $\frac{1}{3}$ %
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Interest and related costs on borrowings to finance the construction or acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Profits and losses on disposal of fixed assets, other than investment properties, are determined as the differences between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Trading securities

Securities intended to be held for the purpose of generating a profit from short-term fluctuation in prices are included under current assets and are carried at fair values. The net unrealised gains or losses arising from the changes in fair values of securities are recognised in the profit and loss account. Profits or losses on disposal of securities, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(f) Inventories

Inventories, comprising mainly consumables, are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

(h) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases. Assets held under finance leases are depreciated on the basis described in note (c) above.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Revenues recognition

Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis. Processing and storage fees are recognised when services are rendered. Enrolment fees are recognised upon the signing of the enrolment contract. Sales of properties are recognised upon completion of the sale and purchase agreements. Interest income is recognised on a time proportion basis. Dividend income is recognised when the right to receive payment is certain.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

(l) Employee benefits

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(m) Foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiary and associated companies expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investments in foreign subsidiary companies are taken directly to reserves.

2 TURNOVER AND OTHER REVENUES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of investment properties	19,200	—
Rental and related income	9,209	11,851
Processing, storage and enrolment fees	8,051	7,607
Dividend income	3	3
Sales of trading securities	—	6,095
	<u>36,463</u>	<u>25,556</u>

Other revenues		
Interest	3	45
Bad debts recovered	98	196
Sundries	99	4
	<u>200</u>	<u>245</u>

	<u>36,663</u>	<u>25,801</u>
	=====	=====

NOTES TO THE ACCOUNTS

3 SEGMENT INFORMATION

The Group is principally engaged in property investment, 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. Segment assets consist primarily of non-current assets, inventories and receivables. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

A summary of business segments is set out as follow:

	Property investment	Securities trading	Bio- technology (cord blood)	Corporate	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended					
31st December 2002					
Turnover	28,409	3	8,051	—	36,463
Segment results	(13,780)	(82)	(3,233)	(15,295)	(32,390)
Financial expenses					(4,249)
Share of losses of associated companies	(195)	—	—	—	(195)
Loss before taxation					(36,834)
Taxation credit					269
Loss attributable to shareholders					(36,565)
Segment assets	220,321	170	29,055	—	249,546
Unallocated assets					70,329
Total assets					319,875
Segment liabilities	3,913	7	5,603	—	9,523
Unallocated liabilities					29,207
Total liabilities					38,730
Capital expenditure	2,100	—	277	940	3,317
Depreciation	—	—	1,927	786	2,713
Amortisation of goodwill	—	—	2,914	—	2,914

NOTES TO THE ACCOUNTS

3 SEGMENT INFORMATION (Continued)

	Property investment	Securities trading	Bio- technology (cord blood)	Corporate	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended					
31st December 2001					
Turnover	11,851	6,098	7,607	—	25,556
Segment results	(156)	(1,271)	(5,091)	(27,998)	(34,516)
Financial expenses					(687)
Loss before taxation					(35,203)
Taxation charge					(1,100)
Loss attributable to shareholders					(36,303)
Segment assets	198,950	247	33,743	—	232,940
Unallocated assets					66,856
Total assets					299,796
Segment liabilities	289	7	4,536	—	4,832
Unallocated liabilities					19,734
Total liabilities					24,566
Capital expenditure	3,000	—	5,515	1,223	9,738
Depreciation	—	—	1,861	1,235	3,096
Amortisation of goodwill	—	—	2,671	—	2,671

NOTES TO THE ACCOUNTS

3 SEGMENT INFORMATION (Continued)

A summary of the geographical segments is set out as follow:

	Turnover <i>HK\$'000</i>	Operating (loss)/profit <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Year ended 31st December 2002				
Hong Kong	27,594	(32,805)	140,553	1,217
Mainland China	8,869	415	179,322	2,100
	<u>36,463</u>	<u>(32,390)</u>	<u>319,875</u>	<u>3,317</u>
Year ended 31st December 2001				
Hong Kong	14,549	(34,111)	117,392	9,738
Mainland China	11,007	(405)	182,404	—
	<u>25,556</u>	<u>(34,516)</u>	<u>299,796</u>	<u>9,738</u>

4 OPERATING LOSS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(a) Operating loss is stated after crediting:		
Gross rental income	9,209	11,851
Less related outgoings (note 4b)	(3,806)	(11,695)
Unrealised gain of trading securities	—	99
	<u> </u>	<u> </u>
and after charging:		
Depreciation	2,713	3,096
Staff costs (including Directors' remuneration)	10,051	9,612
Operating lease rental expense for land and buildings	1,859	1,682
Auditors' remuneration	236	192
Realised loss on sales of trading securities	—	1,362
Unrealised loss of trading securities	77	—
Amortisation of goodwill	2,914	2,671
Loss on disposal of fixed assets	11,427	207
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

4 OPERATING LOSS (Continued)

- (b) The outgoings in 2001 include additional property management fees of approximately HK\$7.8 million payable to Guangdong International Building Enterprises Company Limited (“GIBE”), a former fellow subsidiary company, in settlement of the disputes with GIBE covering the period from March 1997 to December 2000 in exchange for the settlement of the amount receivable from GIBE (note 13). Details of the disputes are given in note 4(b) to the 2001 accounts.

5 FINANCIAL EXPENSES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on short-term loan	3,839	—
Interest on bank loan not wholly repayable within five years	87	528
Interest on bank overdrafts	267	140
Interest on finance lease obligations wholly payable within five years	56	19
	<u>4,249</u>	<u>687</u>

6 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' emoluments

Details of the emoluments paid to the Directors of the Company are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	1,050	1,050
Salaries and other emoluments	5,329	5,150
Discretionary bonuses	—	—
Retirement benefits	60	61
	<u>6,439</u>	<u>6,261</u>

The emoluments of the Directors of the Company fall within the following bands:

Emoluments bands	Number of Directors	
	2002	2001
Nil to HK\$1,000,000	6	8
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
	<u>7</u>	<u>9</u>

None of the Directors has waived the right to receive their emoluments. Fees paid to independent non-executive Directors during the year amounted to HK\$300,000 (2001: HK\$274,000).

NOTES TO THE ACCOUNTS

6 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)

(b) Senior executives' emoluments

Details of emoluments paid by the Group to the five individuals, including five (2001: four) Directors, whose emoluments were the highest in the Group are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other emoluments	6,079	5,464
Discretionary bonuses	—	—
Retirement benefits	60	54
	6,139	5,518
	6,139	5,518

The emoluments of the five individuals of the Group fall within the following bands:

Emoluments bands	Number of individuals	
	2002	2001
Nil to HK\$1,000,000	4	4
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
	5	5
	5	5

7 TAXATION CREDIT/(CHARGE)

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas taxation		
Provision for the year	(388)	(1,100)
Over provision in prior years	657	—
	269	(1,100)
	269	(1,100)

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits for the year (2001: Nil). Provision has been made at the rates of taxation prevailing in Mainland China on the estimated assessable profit for the year.

Accumulated taxation losses available to the Group and the Company at 31st December 2002 for carry forward to set off against future charges for Hong Kong profits tax are estimated at approximately HK\$130.2 million (2001: HK\$93.1 million) and HK\$43.9 million (2001: HK\$28.3 million) respectively. Future tax benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation.

NOTES TO THE ACCOUNTS

8 LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$36,565,000 (2001: HK\$36,303,000) and on the weighted average of 982,570,771 shares (2001: 643,963,100 shares) in issue during the year.

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.

9 FIXED ASSETS

Group

	Investment properties	Leasehold improvements	Furniture, equipment and motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation				
At 31st December 2001	175,500	7,674	6,595	189,769
Additions	1,888	—	1,429	3,317
Disposals	(30,500)	(3,301)	(1,263)	(35,064)
Revaluation	112	—	—	112
	<u>175,500</u>	<u>7,674</u>	<u>6,595</u>	<u>189,769</u>
At 31st December 2002	147,000	4,373	6,761	158,134

Accumulated depreciation				
At 31st December 2001	—	4,759	1,685	6,444
Charge for the year	—	1,458	1,255	2,713
Disposals	—	(3,301)	(550)	(3,851)
	<u>—</u>	<u>4,759</u>	<u>1,685</u>	<u>6,444</u>
At 31st December 2002	—	2,916	2,390	5,306

Net book value				
At 31st December 2002	<u>147,000</u>	<u>1,457</u>	<u>4,371</u>	<u>152,828</u>
At 31st December 2001	<u>175,500</u>	<u>2,915</u>	<u>4,910</u>	<u>183,325</u>

NOTES TO THE ACCOUNTS

9 FIXED ASSETS (Continued)

The net book value of the investment properties is analysed as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China		
Medium-term leases	147,000	145,000
Hong Kong		
Long-term leases	—	30,500
	147,000	175,500
	147,000	175,500

The investment properties, being Level 2 of GITIC Plaza, 339 Huanshi Road East, Guangzhou, Guangdong Province, are stated at professional valuation made by RHL Appraisal Limited, an independent valuer, on 31st December 2002 on an open market basis. All other assets are carried at cost.

The net book value of fixed assets pledged as security for Group's short-term loan amounted to HK\$147,000,000 (2001: HK\$27,500,000) and those held under finance leases amounted to HK\$1,798,500 (2001: HK\$1,159,000).

10 GOODWILL

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost	29,139	29,139
Accumulated amortisation	(5,585)	(2,671)
	23,554	26,468
	23,554	26,468
At beginning of year	26,468	—
Acquisition of a subsidiary company	—	29,139
Amortisation	(2,914)	(2,671)
	23,554	26,468
	23,554	26,468

NOTES TO THE ACCOUNTS

11 SUBSIDIARY COMPANIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost less provision	180,000	180,000
Amounts receivable less provision	73,132	67,275
Amounts payable	(19,756)	(9,717)
	<u>233,376</u>	<u>237,558</u>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

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
		2002	2001		
* Biogrowth Assets Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Cell Therapy Technologies Centre Limited	Hong Kong	100	100	HK\$200,000	Cord blood storage and laboratory services
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	100	HK\$2	Securities investment
GITIC Properties Limited (formerly INNOMAXX (China) Properties Limited)	Hong Kong/ Mainland China	100	100	HK\$10,000	Property investment
INNOMAXX Investment Holdings Limited (formerly INNOMAXX (Hong Kong) Limited)	Hong Kong	100	100	HK\$2	Dormant

NOTES TO THE ACCOUNTS

11 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2002	2001		
*INNOMAXX Property (BVI) Limited	British Virgin Islands/ Hong Kong	100	100	US\$2	Investment holding
*Longship Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Sinorich Technology Development Limited	Hong Kong	100	100	HK\$2	Property leasing
*United Profit Investments Limited	British Virgin Islands/ Hong Kong	100	—	US\$1	Investment holding

* Subsidiary companies directly held by the Company

12 ASSOCIATED COMPANIES

	2002 HK\$'000	2001 HK\$'000
Share of net assets	37,471	—

Particulars of the associated companies are as follow:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2002	2001	
Happy Bright Holdings Limited	Hong Kong	20	—	Investment holding
*Guangzhou Huakang Dikong Development Company Limited	Mainland China	17	—	Property development and investment

* Held by the associated company

NOTES TO THE ACCOUNTS

12 ASSOCIATED COMPANIES (Continued)

A summary of the consolidated financial information of the associated companies, which were acquired on 16th December 2002, for the year ended 31st December 2002 is set out as follows:

	<i>HK\$'000</i>
Results	
Turnover	11
Loss after taxation	(18,820)
Minority interests	—
Loss for the year	(18,820)
Group's share of loss for the year	(195)
Net assets	
Fixed assets	917
Properties under development	675,564
Debtors and prepayments	20,000
Bank balances	1,501
Creditors and accruals	(389,564)
Amount due to a shareholder	(20,898)
Short-term loans	(84,600)
Tax payable	(6,166)
Minority interests	(9,400)
	187,354
Group's share of net assets	37,471

NOTES TO THE ACCOUNTS

13 DEBTORS AND PREPAYMENTS

	Group		Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	33,309	32,715	—	—
Other debtors	66,751	53,324	66,572	47,247
Deposits and prepayments	1,725	1,842	275	616
	<u>101,785</u>	<u>87,881</u>	<u>66,847</u>	<u>47,863</u>

Trade debtors include an amount receivable from GIBE amounting to HK\$31,755,000 (2001: HK\$31,316,000). This receivable represents rental income from the investment properties of the Group at GITIC Plaza, Guangzhou 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 and therefore withheld all payments to the Group. In 2002, the liquidators of GITIC proposed to dispose of its interest in GIBE and agreed to apply part of such proceeds to repay the amount due to the Group. Since GIBE has significant property interest in Guangzhou, the Directors are confident that this amount receivable will be fully recoverable following the completion of the sale by the liquidators of GITIC. 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.

Rental income from tenants is due and payable in advance. The credit term granted to trade debtors in respect of processing and storage of cord blood is usually 30 days. The ageing analysis of the remaining trade debtors, prepared in accordance with the due dates, is as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	1,003	571
30 to 60 days	231	288
61 to 90 days	106	235
Over 90 days	212	305
	<u>1,552</u>	<u>1,399</u>

NOTES TO THE ACCOUNTS

14 TRADING SECURITIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	170	247

15 CREDITORS AND ACCRUALS

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade creditors	433	331	—	—
Other creditors	5,317	3,883	—	—
Accrued expenses	7,352	5,056	3,619	4,386
	<u>13,102</u>	<u>9,270</u>	<u>3,619</u>	<u>4,386</u>

The ageing analysis of the trade creditors, prepared in accordance with the date of invoices, is as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Below 30 days	431	275
30 to 60 days	—	56
61 to 90 days	—	—
Over 90 days	2	—
	<u>433</u>	<u>331</u>

16 ADVANCES FROM A DIRECTOR

The advances are unsecured, interest free and have no fixed repayment terms.

NOTES TO THE ACCOUNTS

17 BANK OVERDRAFTS AND SHORT-TERM LOAN

	Group		Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts, unsecured	34	—	34	—
Bank overdrafts, secured	—	2,959	—	—
Short-term loan, secured	20,000	—	20,000	—
	<u>20,034</u>	<u>2,959</u>	<u>20,034</u>	<u>—</u>

The loan is secured by the Group's shareholding in GITIC Properties Limited, a wholly owned subsidiary company, and carries interest at a fixed rate of 30% per annum (2001: Nil).

18 LONG-TERM LIABILITIES

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan, secured	—	10,528
Obligations under finance leases wholly payable within five years	995	709
	<u>995</u>	<u>11,237</u>
Current portion included under current liabilities	(309)	(841)
	<u>686</u>	<u>10,396</u>

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	358	180	309	130
In the second year	358	180	322	143
In the third to fifth year	388	478	364	436
	<u>1,104</u>	<u>838</u>	<u>995</u>	<u>709</u>

NOTES TO THE ACCOUNTS

19 SHARE CAPITAL

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
4,000,000,000 shares (2001: 2,000,000,000 shares) of HK\$0.10 each	<u>400,000</u>	<u>200,000</u>
Issued and fully paid:		
1,196,028,853 shares (2001: 771,228,853 shares) of HK\$0.10 each	<u>119,603</u>	<u>77,123</u>

By an ordinary resolution passed on 4th December 2002, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$400,000,000 by the creation of 2,000,000,000 new shares of HK\$0.10 each.

On 11th February, 6th May and 7th October 2002, the Company allotted and issued 70,000,000, 155,500,000 and 199,300,000 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.

Subsequent to the balance sheet date, the Company also allotted and issued 239,200,000 new shares of HK\$0.10 each on 5th February 2003 at an issue price of HK\$0.10 per share for cash to provide additional working capital. All the new shares rank *pari passu* with the existing shares.

The Company operates a share option scheme under which options to subscribe for shares in the Company are granted to selected executives. At an Extraordinary General Meeting of the Company held on 26th June 2002, the shareholders passed resolutions relating to adoption of a new share option scheme (the "New Scheme") and termination of the then existing scheme (the "Old Scheme"). Under the New Scheme, the Directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules. The maximum number of shares in respect of which options may be granted under the New 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 New Scheme. All outstanding options granted under the Old Scheme remains valid and exercisable in accordance with their terms of issue. During the year, no options were granted neither under the Old Scheme nor the New Scheme (2001: options for 44,900,000 shares were granted) and options to subscribe for 8,500,000 shares (2001: 12,110,000 shares) were lapsed.

NOTES TO THE ACCOUNTS

19 SHARE CAPITAL (Continued)

The outstanding options under the Old Scheme, none of which has been exercised, are as follows:

Date granted	Period during which options are exercisable	Exercise price per share	Number of shares options outstanding	
			2002	2001
15th November 1997	15th May 1998 to 10th March 2007	1.31	—	8,000,000
10th February 1998	10th August 1998 to 10th March 2007	0.68	—	500,000
29th August 2001	1st March 2002 to 28th February 2005	0.145	44,900,000	44,900,000
			<u>44,900,000</u>	<u>53,400,000</u>

20 RESERVES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group		
Share premium	175,946	175,946
Contributed surplus	152,150	152,150
Accumulated loss	(166,554)	(129,989)
	<u>161,542</u>	<u>198,107</u>
Company		
Share premium	175,946	175,946
Contributed surplus	234,944	234,944
Accumulated loss	(255,329)	(206,182)
	<u>155,561</u>	<u>204,708</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 reorganisation in March 1997.

NOTES TO THE ACCOUNTS

20 RESERVES (Continued)

The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$49,147,000 (2001: HK\$19,845,000).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is available for distribution to shareholders. The Company has no distributable reserves as at 31st December 2002.

21 COMMITMENTS

(a) Capital commitments

In October 2002, the Group entered into an agreement to acquire 45% equity interest in Sanshui Tak Yu Plastic Products Factory, a company established in Mainland China whose principal activity is the manufacturing of plastic consumer products, at a consideration of RMB15 million. The acquisition is anticipated to complete in June 2003.

(b) Operating lease commitments

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
2002	—	1,528
2003	3,047	983
2004	1,720	—
	<u>4,767</u>	<u>2,511</u>

NOTES TO THE ACCOUNTS

21 COMMITMENTS (Continued)

(c) Operating lease rental receivable

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
2002	—	9,764
2003	8,271	8,179
2004	7,239	7,279
2005	7,187	7,279
2006	6,514	6,699
2007	4,264	3,434
2008 and afterwards	54,651	41,618
	88,126	84,252
	88,126	84,252

22 RETIREMENT BENEFITS

With effect from 1st December 2000, the Group operates a defined contribution mandatory provident fund scheme for all the eligible employees. The assets of the scheme are held separate from the assets of the Group and contributions are calculated as a percentage of the employee's basic salaries. Contributions to the scheme during the year are HK\$277,000 (2001:HK\$180,000).

23 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to operating loss before working capital changes

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(36,834)	(35,203)
(Surplus)/deficit on revaluation of investment properties	(112)	15,319
Dividend income	(3)	(3)
Interest income	(3)	(45)
Interest expense	4,249	687
Depreciation	2,713	3,096
Amortisation of goodwill	2,914	2,671
Share of losses of associated companies	195	—
Goodwill on acquisition of an associated company	2,619	—
Loss on disposal of fixed assets	11,427	207
	(12,835)	(13,271)
	(12,835)	(13,271)

NOTES TO THE ACCOUNTS

23 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Purchase of a subsidiary company

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired		
Fixed assets	—	1,290
Inventories	—	123
Debtors and prepayments	—	1,172
Cash and bank balances	—	962
Creditors and accruals	—	(2,686)
	<hr/>	<hr/>
	—	861
Goodwill (note 10)	—	29,139
	<hr/>	<hr/>
Purchase consideration	—	30,000
Issue of new shares as consideration	—	(30,000)
Cash and bank balances acquired	—	962
	<hr/>	<hr/>
Net cash inflow on purchase of a subsidiary company	<hr/> <hr/>	<hr/> <hr/>

(c) Analysis of changes in financing

	Share capital and premium <i>HK\$'000</i>	Loans and finance lease obligations <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2000	193,096	—	193,096
Issue new shares for acquisition of a subsidiary company	30,000	—	30,000
Issue new shares for cash	29,973	—	29,973
Inception of finance leases	—	750	750
Net cash flows from financing activities	—	10,487	10,487
	<hr/>	<hr/>	<hr/>
At 31st December 2001	253,069	11,237	264,306
Issue new shares for cash	42,480	—	42,480
Inception of finance leases	—	500	500
Net cash flows from financing activities	—	9,258	9,258
	<hr/>	<hr/>	<hr/>
At 31st December 2002	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

24 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	
	2002	2001
	HK\$'000	HK\$'000
Rental expense (note a)	401	—
Purchase of a property (note b)	—	3,000
	<u>401</u>	<u>3,000</u>

- (a) The Group rented the office premises from Universal Cyber Technology Holdings Limited, a wholly owned subsidiary company of U-Cyber Technology Holdings Limited, a substantial shareholder of the Company, at a consideration of HK\$80,298 per month. The rental charge was arrived at with reference to open market rate of similar commercial properties in the same district.
- (b) In 2001, the Group acquired a property from Rich Key Enterprises Limited, a wholly owned subsidiary company of Guangdong International Trust & Investment Corporation Hong Kong (Holdings) Limited (In Creditors' Voluntary Liquidation) and a former substantial shareholder of the Company, at a consideration of HK\$3,000,000. The price was arrived at with reference to open market value of similar commercial properties in the same district.

25 SUBSEQUENT EVENTS

On 5th February 2003, the Company allotted and issued 239,200,000 new shares of HK\$0.10 each at an issue price of HK\$0.10 per share for cash to provide additional working capital.

On 28th March 2003, the Group acquired 10% equity interest in Universal Biotech Company Limited, a company incorporated in Taiwan, whose principal activities are research, development, production and sale of Chinese medical health goods and Chinese medical pharmaceutical products, at a cash consideration of HK\$30 million.

26 APPROVAL OF THE ACCOUNTS

The accounts were approved by the Board of Directors on 9th April 2003.