

# Notes to the Financial Statements

For the year 31 December 2004

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 35.

During preparation of the financial statements, the directors have taken into account the impact of the rescission agreement as set out in note 31. The directors consider the Company is able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

## Notes to the Financial Statements (Continued)

For the year 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life of ten years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a separate intangible asset.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on an independent professional valuation at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided in respect of investment properties which are held under leases with unexpired terms of more than 20 years.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

## Notes to the Financial Statements (Continued)

For the year 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	15% – 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

#### Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates are stated at the Group's share of the net assets of its associate plus unamortised goodwill arising on acquisition, less any identified impairment losses.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

**Notes to the Financial Statements** (Continued)*For the year 31 December 2004***3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Inventories**

Inventories, which represent consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Convertible bond**

Convertible bond is separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible bond is calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible bond for each accounting period.

**Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

## Notes to the Financial Statements (Continued)

For the year 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

#### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Processing and storage fees are recognised when services are rendered. Enrolment fees are recognised upon the signing of the enrolment contract.

## Notes to the Financial Statements (Continued)

For the year 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

Rental income is recognised on a straight-line basis over the term of relevant lease.

Dividend income from investments is recognised when the rights to receive dividend payments have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### Deferred income

Deferred income represents storage fee received in advance from customers and is recognised to income over the term of relevant contract on a straight-line basis.

#### Foreign currencies

The Company maintains its books and records in Hong Kong dollars.

Transactions in foreign currencies are translated using the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefits costs

Payments to the mandatory provident fund scheme are charged as an expense as they fall due.

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**4. TURNOVER**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover represents the net amounts received and receivable for:		
Trading of pharmaceutical ingredients and chemicals	<b>163,730</b>	–
Trading of investments in securities	<b>58,179</b>	–
Processing, storage and enrolment fees	<b>11,724</b>	9,287
Rental income	<b>8,805</b>	8,807
Dividend income from investments in securities	<b>21</b>	1
Other investment income	–	14
	<b>242,459</b>	18,109

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Business segments**

The Group is principally engaged in property investment, processing and storage of cord blood, trading of pharmaceutical ingredients and chemicals and investments in securities. There are no sales or trading transactions between the business segments. These segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the year ended 31 December 2004 is set out as follows:

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**
**Business segments (continued)**
**For the year ended 31 December 2004**

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of pharmaceutical ingredients and chemicals HK\$'000	Investments in securities HK\$'000	Total HK\$'000
Turnover	8,805	11,724	163,730	58,200	242,459
Results	(1,714)	973	320	(17,105)	(17,526)
Finance costs					(2,373)
Share of results of associates					(28,065)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate					(8,355)
Unallocated corporate expenses					(29,721)
Loss before taxation					(86,040)
Taxation					(175)
Net loss for the year					(86,215)
Segment assets	187,947	24,006	26,004	7,639	245,596
Unallocated corporate assets					238,629
Total assets					484,225
Segment liabilities	3,280	13,549	25,952	-	42,781
Unallocated corporate liabilities					161,190
Total liabilities					203,971
	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Investments in securities HK\$'000	Unallocated HK\$'000	Total HK\$'000
OTHER INFORMATION					
Capital additions	-	901	-	75	976
Depreciation and amortisation	137	3,338	-	1,039	4,514
Loss (gain) on disposal of property, plant and equipment	-	97	-	(40)	57
Impairment loss recognised in respect of investments in securities	-	-	20,000	-	20,000
Deficit on revaluation of investment properties	6,600	-	-	-	6,600



**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**
**Business segments (continued)**

Segment information about these businesses for the year ended 31 December 2003 is set out as follows:

For the year ended 31 December 2003

	Property investment <i>HK\$'000</i>	Processing and storage of cord blood <i>HK\$'000</i>	Investments in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>8,807</u>	<u>9,287</u>	<u>15</u>	<u>18,109</u>
Results	<u>18,100</u>	<u>(2,029)</u>	<u>(10,007)</u>	6,064
Finance costs				(3,379)
Share of results of associates				(1,051)
Unallocated corporate expenses				<u>(35,647)</u>
Loss before taxation				(34,013)
Taxation				<u>(1,277)</u>
Net loss for the year				<u>(35,290)</u>
Segment assets	237,506	24,980	15,010	277,946
Unallocated corporate assets				<u>150,364</u>
Total assets				<u>427,860</u>
Segment liabilities	3,612	6,385	20	10,017
Unallocated corporate liabilities				<u>87,418</u>
Total liabilities				<u>97,435</u>

	Property investment <i>HK\$'000</i>	Processing and storage of cord blood <i>HK\$'000</i>	Investments in securities <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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**OTHER INFORMATION**

Capital additions	549	519	–	1,602	2,670
Depreciation and amortisation	73	4,862	–	767	5,702
Loss on disposal of property, plant and equipment	–	180	–	–	180
Impairment loss recognised in respect of investments in securities	–	–	10,000	–	10,000
	<u>–</u>	<u>–</u>	<u>10,000</u>	<u>–</u>	<u>10,000</u>

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**

**Geographical segments**

The Group's operations are located in Hong Kong and the PRC. The following table provides a geographical analysis of the Group's turnover according to the location of customers and total assets according to location of the assets:

	<b>Turnover</b> <i>HK\$'000</i>	<b>Total assets</b> <i>HK\$'000</i>	<b>Capital additions</b> <i>HK\$'000</i>
<b>2004</b>			
Hong Kong	<b>233,654</b>	<b>140,618</b>	<b>976</b>
The PRC	<b>8,805</b>	<b>343,607</b>	–
	<b>242,459</b>	<b>484,225</b>	<b>976</b>
<b>2003</b>			
Hong Kong	9,302	231,397	2,121
The PRC	8,807	196,463	549
	18,109	427,860	2,670

**6. OTHER OPERATING INCOME**

Other operating income for the year includes the following:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest income	<b>137</b>	50
Exchange gain	<b>48</b>	–
Reversal of allowance for bad and doubtful debts	–	1,079
Sundries	<b>1,215</b>	87
Unrealised holding gain of investments in securities	<b>492</b>	–
	<b>1,892</b>	1,216

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**7. LOSS FROM OPERATIONS**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 8</i> )	<b>6,801</b>	8,296
Other staff costs	<b>9,891</b>	4,134
Other staff retirement benefit scheme contributions	<b>220</b>	140
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Total staff costs	<b>16,912</b>	12,570
Auditors' remuneration		
– current year	<b>1,200</b>	323
– underprovision in prior year	<b>15</b>	108
Amortisation of goodwill (included in administrative expenses)	<b>2,914</b>	2,914
Depreciation of property, plant and equipment		
– owned by the Group	<b>1,170</b>	2,358
– held under finance leases	<b>430</b>	430
Loss on disposal of property, plant and equipment	<b>57</b>	180
Operating lease rentals in respects of land and buildings	<b>3,057</b>	1,971
and after crediting:		
Gross rental income	<b>8,805</b>	8,807
Less: Outgoings	<b>(3,344)</b>	(3,366)
	<hr/>	<hr/>
Interest income	<b>5,461</b>	5,441
Net gain from disposal of trading securities	<b>137</b>	50
Reversal of allowance for bad and doubtful debts	<b>2,450</b>	–
Reversal of allowance for bad and doubtful debts	<b>–</b>	1,079
Unrealised holding gain of investments in securities	<b>492</b>	–
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**8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>Directors' emoluments</b>		
Fees	<b>1,057</b>	969
Salaries and others	<b>5,721</b>	7,283
Retirement benefit scheme contributions	<b>23</b>	44
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	<b>6,801</b>	8,296
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**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (continued)**

Emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
Nil – HK\$1,000,000	<b>7</b>	11
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	–
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	–
HK\$3,000,001 – HK\$3,500,000	–	1
	<hr/>	<hr/>
	<b>10</b>	12
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**Employees' emoluments**

Of the five individuals with the highest emoluments in the Group four were (2003: five) directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2003: nil) individual was as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Salaries and others	<b>611</b>	–
Retirement benefit scheme contributions	<b>12</b>	–
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	<b>623</b>	–
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No emoluments has ever been paid by the Group to the directors as an inducement to joint or upon joining the Group or as compensation for loss emoluments during the year. None of the directors has waived or agreed to waive any emoluments during the year.

**9. FINANCE COSTS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable		
within five years	<b>(1,278)</b>	(3,245)
Convertible bond	<b>(1,058)</b>	(95)
Finance leases	<b>(37)</b>	(39)
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	<b>(2,373)</b>	(3,379)
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**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**10. TAXATION**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	<b>(56)</b>	–
PRC Enterprise Income Tax	<b>(455)</b>	(492)
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Current tax	<b>(511)</b>	(492)
Deferred taxation ( <i>note 25</i> )	<b>336</b>	(785)
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	<b>(175)</b>	(1,277)
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Hong Kong Profits Tax is calculated at 17.5% of the estimated profit for the year.

No provision for Hong Kong Profits Tax has been made in the 2003 financial statements as the Group had no assessable profit for the prior year.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each of the years.

The charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>(86,040)</b>	(34,013)
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Tax at the income tax rate of 17.5%	<b>15,057</b>	5,952
Tax effect of share of results of associates	<b>(4,911)</b>	(184)
Tax effect of income that is not taxable in determining taxable profit	<b>356</b>	198
Tax effect of expenses that are not deductible in determining taxable profit	<b>(6,612)</b>	(5,956)
Tax effect of tax losses not recognised	<b>(3,478)</b>	(4,012)
Utilisation of tax losses previously not recognised	<b>75</b>	151
Effect of different taxation rate used on other jurisdiction	<b>(558)</b>	2,789
Others	<b>(104)</b>	(215)
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Tax expense for the year	<b>(175)</b>	(1,277)
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**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**11. LOSS PER SHARE**

The calculation of the loss per share is based on the net loss for the year of approximately HK\$86,215,000 (2003: HK\$35,290,000) and on the weighted average number of 2,199,224,328 (2003: 1,640,633,346) shares in issue during the year.

The computation of the diluted loss per share for 2003 and 2004 did not assume the conversion of the convertible bond since its exercise would result in a decrease in the loss per share from continuing ordinary operations.

The effect of share options is excluded from the calculation of the diluted loss per share since their exercise would result in a decrease in the loss per share from continuing ordinary operations.

**12. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>				
COST				
At 1 January 2004	5,700	4,200	3,511	13,411
Additions	13	963	–	976
Write-off	(4,374)	–	–	(4,374)
Disposals	–	(335)	(800)	(1,135)
<b>At 31 December 2004</b>	<b>1,339</b>	<b>4,828</b>	<b>2,711</b>	<b>8,878</b>
DEPRECIATION				
At 1 January 2004	4,460	1,717	1,704	7,881
Provided for the year	330	648	622	1,600
Eliminated on write-off	(4,374)	–	–	(4,374)
Eliminated on disposals	–	(211)	(640)	(851)
<b>At 31 December 2004</b>	<b>416</b>	<b>2,154</b>	<b>1,686</b>	<b>4,256</b>
NET BOOK VALUES				
<b>At 31 December 2004</b>	<b>923</b>	<b>2,674</b>	<b>1,025</b>	<b>4,622</b>
At 31 December 2003	1,240	2,483	1,807	5,530

The net book value of motor vehicles includes an amount of approximately HK\$939,000 (2003: HK\$1,369,000) in respect of assets under finance leases.

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**13. INVESTMENT PROPERTIES**

HK\$'000

**THE GROUP**

At 1 January 2004	162,400
Revaluation decrease	<u>(6,600)</u>
At 31 December 2004	<u>155,800</u>

Investment properties held under medium term leases in the PRC were revalued at their open market value at 31 December 2004 by Savills (Hong Kong) Limited, a firm of international property consultants. This valuation gave rise to a revaluation decrease of HK\$6,600,000 (2003: surplus of HK\$15,400,000) which has been charged to the income statement.

Majority of the Group's investment properties are rented out under operating leases.

The Group has pledged all of its investment properties (2003: HK\$162,400,000) to secure general banking facilities granted to the Group.

**14. GOODWILL**

**THE GROUP**

HK\$'000

<b>COST</b>	
At 1 January 2003, 31 December 2003 and 2004	<u>29,139</u>
<b>AMORTISATION</b>	
At 1 January 2004	8,499
Charge for the year	<u>2,914</u>
<b>At 31 December 2004</b>	<b><u>11,413</u></b>
<b>NET BOOK VALUES</b>	
<b>At 31 December 2004</b>	<b><u>17,726</u></b>
At 31 December 2003	<u>20,640</u>

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**15. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>180,358</b>	180,358
Less: Impairment losses recognised	<b>(445)</b>	(358)
	<b>179,913</b>	180,000
Amounts due from subsidiaries ( <i>Note</i> )	<b>257,044</b>	187,146
Less: Allowance for amounts due from subsidiaries	<b>(151,153)</b>	(102,716)
	<b>285,804</b>	264,430

Particulars of the Company's principal subsidiaries at 31 December 2004 are set out in note 35.

*Note:* The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of directors, the amounts are unlikely to be repaid within twelve months of the balance sheet date and therefore are shown in the balance sheet as non-current.

**16. INTEREST IN ASSOCIATES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>139,527</b>	36,420
Goodwill arising on acquisition of an associate	<b>24,488</b>	–
Less: Impairment losses recognised	<b>(8,355)</b>	–
	<b>155,660</b>	36,420



**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**16. INTEREST IN ASSOCIATES (continued)**

Particulars of the principal associates are as follows:

Name	Class of shares held	Place of incorporation/ establishment/ operation	Percentage of attributable equity interest		Principal activities
			2004	2003	
Guangzhou Huakang Dikong Development Company Limited ("GHDDCL")	Ordinary	PRC	17%	17%	Property development and investments
Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful")	Ordinary	PRC	30%	–	Manufacture, wholesale and distribution of a variety of pharmaceutical products in the PRC

During the year, the Group shared profit from SW Treeful since its acquisition in amount of HK\$8,355,000.

The goodwill of an associate arose on the acquisition of SW Treeful during the year. On 1 April 2005, the Group entered into a rescission agreement with China Worldbest Life Industries Company Limited ("CWGC Life"), a subsidiary of China Worldbest Group Company Limited, a substantial shareholder of the Company, in connection with the acquisition as set out in note 31 to the financial statements. As a result, an impairment loss of HK\$8,355,000 in respect of the goodwill arising on the acquisition has been recognised in the current year by reference to the recoverable amount upon the completion of the rescission agreement.

**Notes to the Financial Statements** (Continued)

For the year 31 December 2004

**17. INVESTMENTS IN SECURITIES**
**THE GROUP**

	Trading securities		Other securities	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:				
Listed in Hong Kong	7,639	184	–	–
Unlisted	–	–	30,000	30,000
Less: Impairment loss recognised	–	–	(30,000)	(10,000)
	<u>7,639</u>	<u>184</u>	<u>–</u>	<u>20,000</u>
Market value of listed securities	<u>7,639</u>	<u>184</u>	<u>–</u>	<u>–</u>
Carrying amount analysed for reporting purposes as:				
Current	7,639	184	–	–
Non-current	–	–	–	20,000
	<u>7,639</u>	<u>184</u>	<u>–</u>	<u>20,000</u>

The unlisted securities at 31 December 2004 represented the Group's 10% shareholding in Universal Biotech Company Limited 寰生生物科技有限公司 ("UBC") which was incorporated in Taiwan and is engaged in the provision of research and development, production and sales of Chinese medical health food and Chinese medical pharmaceutical products.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**18. TRADE AND OTHER RECEIVABLES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>61,269</b>	34,898	–	–
Other debtors	<b>1,191</b>	40,527	<b>1,176</b>	40,127
Deposits and prepayments	<b>1,990</b>	2,937	<b>1,560</b>	1,594
	<b>64,450</b>	78,362	<b>2,736</b>	41,721

At the balance sheet date, trade debtors included an amount of receivable from Guangdong International Building Enterprises Company Limited (“GIBE”), a former fellow subsidiary, amounting to approximately HK\$31,608,000 (2003: HK\$32,996,000). This receivable represents rental income generated from the investment properties of the Group after netting off the relevant property management fees payable for the properties.

Guangdong International Trust & Investment Corporation (“GITIC”), the former ultimate holding company, commenced liquidation in October 1998. As a result, GIBE encountered financial difficulties to repay the outstanding amount to the Group. As agreed with the liquidators of GITIC, part of the proceeds from the disposal of its interest in GIBE will be used to repay this receivable.

In October 2002, the interest in GIBE was sold at auction for a consideration of RMB1,130 million. However, the potential purchaser subsequently defaulted in this year. The directors have been advised by the liquidators that they had been approached by a number of other potential purchasers currently who were interested in acquiring GIBE and the proceeds from the disposal would be used to fully repay the outstanding amount owed to the Group. Against this background, the directors are of the opinion that this receivable will be fully received.

Rental income from tenants is due and payable in advance.

The Group allows credit periods normally ranging from 30 days to 60 days to its trade customers other than from its tenants.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**18. TRADE AND OTHER RECEIVABLES (continued)**

The following is an aged analysis of the remaining trade debtors at the balance sheet date:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
0 to 30 days	<b>5,051</b>	1,086
31 to 60 days	<b>23,217</b>	388
61 to 90 days	<b>625</b>	185
Over 90 days	<b>768</b>	243
	<hr/> <b>29,661</b> <hr/>	<hr/> 1,902 <hr/>

**19. TRADE AND OTHER PAYABLES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Trade payables	<b>25,910</b>	195	–	–
Other payables	<b>156</b>	308	–	–
Deferred income	<b>12,415</b>	5,982	–	–
Accrued charges	<b>11,216</b>	5,036	<b>6,880</b>	1,464
	<hr/> <b>49,697</b> <hr/>	<hr/> 11,521 <hr/>	<hr/> <b>6,880</b> <hr/>	<hr/> 1,464 <hr/>

The following is an aged analysis of trade payables at the balance sheet date:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
0 to 30 days	<b>25,909</b>	189
31 to 60 days	–	2
Over 60 days	<b>1</b>	4
	<hr/> <b>25,910</b> <hr/>	<hr/> 195 <hr/>

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**20. AMOUNTS DUE TO SUBSIDIARIES**

**THE COMPANY**

The amounts are unsecured, interest-free and have no fixed repayment terms. The amounts are unlikely to be paid within twelve months of the balance sheet date and are therefore shown in the balance sheet as non-current.

**21. AMOUNT DUE TO A RELATED COMPANY**

**THE GROUP**

The amount is unsecured, interest-free and the Group will be released from the payment obligation upon the completion of a rescission agreement as set out in note 31.

**22. SECURED BANK BORROWINGS**

<b>THE GROUP</b>	
<b>2004</b>	2003
<b>HK\$'000</b>	HK\$'000

The secured bank borrowings are repayable as follows:

Within one year	<b>4,000</b>	4,000
Between one to two years	<b>4,000</b>	4,000
Between two to five years	<b>13,800</b>	4,000
After five years	<b>15,110</b>	28,910
	<hr/>	<hr/>
	<b>36,910</b>	40,910
	<hr/>	<hr/>
Less: Amount due within one year shown under current liabilities	<b>(4,000)</b>	(4,000)
	<hr/>	<hr/>
Amount due after one year	<b>32,910</b>	36,910
	<hr/>	<hr/>

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**23. CONVERTIBLE BOND**
**THE GROUP AND THE COMPANY**

On 9 December 2003, the Company issued a convertible bond of HK\$36 million at par to China Worldbest Group (Hong Kong) Company Limited ("China Worldbest HK"). The bond carried interest at 4% per annum, payable half yearly in arrears, and a right to convert into new shares of HK\$0.10 each in the issued share capital of the Company at a conversion price of HK\$0.10 per share, subject to adjustment, at any time from 9 March 2004 to 8 December 2005. The bond was fully converted into 360,000,000 ordinary shares of the Company on 27 September 2004.

**24. OBLIGATIONS UNDER FINANCE LEASES**

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	<b>269</b>	358	<b>249</b>	321
In the second to fifth year inclusive	<b>120</b>	388	<b>117</b>	366
	<b>389</b>	746	<b>366</b>	687
Less: Future finance charges	<b>(23)</b>	(59)	—	—
Present value of lease obligations	<b>366</b>	687	<b>366</b>	687
Less: Amount due within one year			<b>(249)</b>	(321)
Amount due after one year			<b>117</b>	366

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is approximately 4 years. For the year ended 31 December 2004, the average effective borrowing rate was 2.4% per annum (2003: 2.4% per annum).

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**25. DEFERRED TAXATION**

A summary of the deferred tax liabilities recognised and movements thereon during the current and prior reporting years is as follows:

	<b>Revaluation of investment properties</b> <i>HK\$'000</i>
At 1 January 2003	7,497
Charge to income statement for the year	<u>785</u>
At 1 January 2004	8,282
Credit to income statement for the year	<u>(336)</u>
At 31 December 2004	<u><u>7,946</u></u>

The following is the analysis of the deferred tax balances for balance sheet presentation purposes:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Deferred tax liabilities	<u><b>7,946</b></u>	<u>8,282</u>

At the balance sheet date, the Group and the Company have unused tax losses of approximately HK\$91,456,000 and HK\$51,148,000 (2003: HK\$71,582,000 and HK\$31,274,000) respectively available for offset against future profits. No deferred taxation asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. There were no other significant temporary differences arising during the year or at the balance sheet date.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**26. SHARE CAPITAL**

	Number of ordinary shares of HK\$0.1 each		Amount	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Authorised:				
At 1 January and 31 December	<b>4,000,000,000</b>	4,000,000,000	<b>400,000</b>	400,000
Issued and fully paid:				
At 1 January	<b>2,104,512,853</b>	1,196,028,853	<b>210,451</b>	119,603
Issue of new shares on exercise of share options	<b>300,000</b>	102,284,000	<b>30</b>	10,228
Issue of new shares	–	806,200,000	–	80,620
Issue of new shares on conversion of convertible bond ( <i>note 23</i> )	<b>360,000,000</b>	–	<b>36,000</b>	–
At 31 December	<b>2,464,812,853</b>	2,104,512,853	<b>246,481</b>	210,451

On 5 February 2003, 5 August 2003 and 26 September 2003, the Company allotted and issued 239,200,000, 287,000,000 and 280,000,000 new shares of HK\$0.1 each, respectively, at the issue price of HK\$0.1 per share to provide additional working capital to the Group. All new shares rank pari passu with the then existing share capital of the Company.

On 19 January 2004, a share option holder exercised its 300,000 share options at HK\$0.145 per share to subscribe for 300,000 ordinary shares of HK\$0.1 each. All new shares rank pari passu with the then existing share capital of the Company.

**27. SHARE OPTIONS**

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997 and 26 June 2002, the Company adopted an old share option scheme (the "Old Share Option Scheme") and a new share option scheme (the "New Share Option Scheme") respectively. The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be offered under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

The Company operates these share option schemes for the purpose of providing incentives or rewards to participants.



**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**27. SHARE OPTIONS (continued)**
**(a) Old Share Option Scheme**

Details of the movements in the number of share options during the year under the Old Share Option Scheme are as follows:

Type of participants	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2003	Exercised during 2003	Outstanding at 1.1.2004	Exercised during 2004	Outstanding at 31.12.2004
Director	1 March 2002 to 28 February 2005	0.145	43,500,000	26,000,000	17,500,000	-	17,500,000
Employees	1 March 2002 to 28 February 2005	0.145	1,400,000	1,100,000	300,000	300,000	-
			44,900,000	27,100,000	17,800,000	300,000	17,500,000

The HK\$0.145 exercise price per share of the above share options granted under the Old Share Option Scheme was determined by the Board of Directors.

The fair value of the Company's share at the date before the exercise of share option during the year is HK\$0.495.

The total number of shares in respect of which 17,500,000 options are issuable under this scheme represented approximately 0.71% of the issued share capital of the Company as at 31 December 2004.

No option may be granted to any existing option holder which, if exercised in full, would result in the total number of shares already issued and issuable to him under this scheme exceeding 25 percent of the aggregate number of shares in respect of which options are issuable under this scheme.

No option shall be granted under this scheme which would result in the aggregate number of shares issued or issuable or which may be issuable under this scheme, when added to the number of shares issued or issuable or which may be issued under all other share option schemes (if any) of the Company, exceeding 10 per cent of the issued share capital of the Company at the time of granting of the option (excluding any shares issued upon exercise of the options).

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**27. SHARE OPTIONS (continued)**
**(b) New Share Option Scheme**

Details of the movements in the number of share options during the year under the New Share Option Scheme are as follows:

Type of participant	Exercisable period	Exercise price per share HK\$	Granted at 31.2003	Exercised during 2003	Outstanding as at 1.1.2004	Cancelled during 2004	Outstanding as at 31.12.2004
Director	3 January 2003 to 2 January 2008	0.1	31,890,000	21,924,000	9,966,000	9,966,000	-
Employees	3 January 2003 to 2 January 2008	0.1	53,260,000	53,260,000	-	-	-
			85,150,000	75,184,000	9,966,000	9,966,000	-

The HK\$0.1 exercise price per share represented the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five business days immediately preceding the date of grant of the options.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option scheme for the time being of the Company shall not, in aggregate, exceed such number of shares as equals 30% of the shares in issue from time to time. No option may be granted under the scheme or any other share option scheme of the Company if it would result in the above-mentioned 30% limit being exceeded.

The total amount of shares covered by the options granted to a participant (including exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. If any further grant of options to the participant would result in the shares covered by such options (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the shares in issue as at the date of the further grant, then the following conditions have to be satisfied:

- the shareholders must approve the grant at a general meeting, with such participant and his associates abstaining from voting;

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**27. SHARE OPTIONS (continued)**
**(b) New Share Option Scheme (continued)**

- the Company must send a circular in relation to the proposal for the further grant to its shareholders, with such information from time to time required by the Rules Governing the Listing of Securities on the Stock Exchange; and
- the number and terms (including the subscription price) of the options to be granted to such proposed grantee must be fixed before the approval by the shareholders as mentioned above.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted during the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**28. RESERVES**

	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1 January 2003	175,946	234,944	(255,329)	155,561
Exercise of share options	1,219	–	–	1,219
Net loss for the year	–	–	(45,309)	(45,309)
At 31 December 2003	177,165	234,944	(300,638)	111,471
Exercise of share options	14	–	–	14
Net loss for the year	–	–	(69,931)	(69,931)
At 31 December 2004	177,179	234,944	(370,569)	(41,554)

The Group's and the Company's contributed surplus represents the special reserve arising upon the group reorganisation in March 1997.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**28. RESERVES (continued)**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The Company has no reserves available for distribution to shareholders at the balance sheet date.

**29. OPERATING LEASE COMMITMENTS**

**The Group as lessee**

At the balance sheet date, the Group was committed to make the following minimum lease payments under non-cancellable operating leases in respect of rental premises and office equipment which fall due as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<b>2,686</b>	4,646	<b>2,113</b>	2,139
In the second to fifth year inclusive	<b>3,145</b>	5,840	<b>3,145</b>	5,264
	<b>5,831</b>	10,486	<b>5,258</b>	7,403

Leases are negotiated for terms ranging from 1 to 3 years.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**29. OPERATING LEASE COMMITMENTS (continued)**

**The Group as lessor**

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>8,220</b>	8,364
In the second to fifth year inclusive	<b>19,058</b>	23,052
After five years	<b>46,595</b>	50,588
	<b>73,873</b>	82,004

**30. RETIREMENT BENEFIT SCHEMES**

The Group operates a Mandatory Provident Fund (the "MPF") for all the qualifying employees in Hong Kong. The retirement benefits scheme contributions charged to the income statement represent contributions payable to the MPF scheme by the Group at rates specified in the MPF scheme.

**31. POST BALANCE SHEET EVENT**

On 5 March 2004, Offspring Investments Limited ("Offspring"), a wholly-owned subsidiary of the Company, entered into a conditional agreement to acquire a 30% equity interest in SW Treeful from CWGC Life at a consideration of RMB165 million (equivalent to approximately HK\$156 million), subject to adjustment (the "Agreement").

By 30 July 2004, all conditions in the Agreement were satisfied and the formalities in transferring the 30% equity interest in SW Treeful from CWGC Life to Offspring have been completed according to the terms of the Agreement. Pursuant to the Agreement, Offspring should within 3 months after the effective date of the Agreement, which was 30 July 2004, pay an aggregate sum of RMB165 million by 3 instalments to CWGC Life as consideration for the acquisition. CWGC Life subsequently agreed to extend the payment period in respect of the second and third instalments to 31 March 2005.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**31. POST BALANCE SHEET EVENT (continued)**

As the Group failed to raise sufficient funds to pay the second and third instalments on or before 31 March 2005, CWGC Life and Offspring entered into a rescission agreement to rescind the Agreement on 1 April 2005 (the "Rescission Agreement"). Pursuant to the Rescission Agreement, Offspring will sign the necessary documents to transfer the 30% equity interest in SW Treeful back to CWGC Life and within 10 working days after the completion of such transfer, CWGC Life will return RMB49.5 million (equivalent to approximately HK\$46,698,000), being the first instalment previously paid to CWGC Life under the Agreement, to Offspring. The Rescission Agreement will be completed when the necessary statutory approvals and registration procedures from relevant local authorities in the PRC are properly obtained and completed.

**32. OTHER EVENT**

On 26 November 2004, the Company entered into a warrant placing agreement with a placing agent in connection with a private placing of 300,000,000 warrants conferring the right to subscribe for shares at an issue price of HK\$0.01 per warrant. Each warrant carried the right to subscribe for one share at an initial subscription price of HK\$0.285 per share (subject to adjustment). Due to the deterioration of market sentiment subsequent to the signing of the warrant placing agreement, there was insufficient interest from suitable placees. As a result, the issue has not proceeded to completion and the warrant placing agreement has lapsed according to its terms on 31 January 2005.

**33. PLEDGE OF ASSETS**

At the balance sheet date, the Group has pledged the following assets to banks and financial institutions to secure the credit facilities granted to the Group:

<b>Category</b>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Investments in securities	<b>7,639</b>	184
Investment properties	<b>155,800</b>	162,400
Bank deposits	<b>10,342</b>	1,230
Deposits	<b>6,208</b>	–
Trade receivables	<b>31,725</b>	33,506

In addition, the Group has also assigned, at the balance sheet date and as at 31 December 2003, all benefits and proceeds which may be effected from the Group's insurances entered in connection with the above investment properties to the bank to secure the credit facilities granted to the Group.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**33. PLEDGE OF ASSETS (continued)**

At the balance sheet date and as at 31 December 2003, the Group also assigned all rights, title, benefits and interests in respect of its receivables as referred to above in one of its wholly-owned subsidiaries to the bank to secure the credit facilities to the Group.

At the balance sheet date and as at 31 December 2003, the Company's subsidiary, namely GITIC Properties Limited, also subordinated the intercompany debt due from the Company of HK\$42,545,000 (2003: HK\$45,642,000) to secure the credit facilities granted to this subsidiary.

**34. RELATED PARTY TRANSACTIONS**

Other than mentioned in note 31 in the financial statements, the Group has entered into following related party transactions:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Convertible bond interest paid to China Worldbest HK	<b>1,058</b>	95
Rental paid ( <i>Note a</i> )	–	749
Management fee paid ( <i>Note b</i> )	–	613
	<b>_____</b>	<b>_____</b>

(a) The Group rented the office premises from Universal Cyber Technology Holdings Limited, a wholly owned subsidiary of U-Cyber Technology Holdings Limited, a former substantial shareholder of the Company, for HK\$80,298 per month from January 2003 to May 2003, revised to HK\$58,000 per month from June 2003. The arrangement was terminated in November 2003.

(b) U-Cyber Technology Holdings Limited provided administrative support services to the Group at a monthly fixed management fee of HK\$76,600 from January 2003 to August 2003.

The above transactions were carried out in accordance with the terms of the relevant agreements governing such transactions.

In addition, at the balance sheet date and at 31 December 2003, the former director, Mr. Tong Nai Kan, has given an unlimited personal guarantee to the bank to secure the credit facilities granted to the Group.

**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**35. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the Company's principal subsidiaries as at 31 December 2004 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ operation</b>	<b>Nominal value of issued ordinary share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital/ registered capital held by the Company %</b>	<b>Principal activities</b>
Biogrowth Assets Limited*	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Cell Therapy Technologies Centre Limited	Hong Kong/ Hong Kong	HK\$200,000	100	Provision of cord blood bank and its relevant laboratory services
China Kent Development Limited	Hong Kong/ Hong Kong	HK\$2 ordinary HK\$10,000 non-voting deferred	100	Investment holding
CWGC Pharmaceutical (Hong Kong) Limited	Hong Kong/ Hong Kong	HK\$1	100	Trading of pharmaceutical ingredients and chemicals
Fullgain International Investment Limited	Hong Kong/ Hong Kong	HK\$2	100	Securities investment holding and trading of securities investment
GITIC Properties Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
INNOMAXX Investment Holdings Limited*	Hong Kong/ Hong Kong	HK\$2	100	Investment holding
INNOMAXX Property (BVI) Limited*	British Virgin Islands/ Hong Kong	US\$2	100	Investment holding



**Notes to the Financial Statements** (continued)

For the year 31 December 2004

**35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)**

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
Longship Limited*	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Offspring Investments Limited*	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Sinorich Technology Development Limited	Hong Kong/ Hong Kong	HK\$2	100	Inactive
United Profit Investments Limited*	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding

\* *Subsidiaries directly held by the Company*

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.