

NOTES TO THE ACCOUNTS

1. Accounting Policies

The accounts 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 2001, the Group adopted the following revised or new Statement of Standard Accounting Practices ("SSAP's") issued by the Hong Kong Society of Accountants:

SSAP 9	(revised) Events after the balance sheet date
SSAP 14	(revised) Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAPs has no changes in the accounting policies of the Group except for the following:

Goodwill arising on acquisition of subsidiary companies occurring on or after 1st January 2001 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. Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves. This change in accounting policy has increased the loss attributable to shareholders for the period by HK\$1,214,000.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2000 Annual Report and Accounts.

2. Turnover

The principal activities of the Group are property and securities investment, processing and storage of cord blood.

Turnover represents gross rental, dividend, proceeds on sales of trading securities and income from processing and storage of cord blood.

An analysis of the turnover and operating results by principal activities and geographical areas of operations are as follows:

	Turnover		Operating profit/(loss)	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental and related income				
Mainland China	5,949	5,991	4,057	4,836
Hong Kong	443	428	308	(104)
	<u>6,392</u>	<u>6,419</u>	<u>4,365</u>	<u>4,732</u>
Securities trading				
Hong Kong	5,043	—	151	—
Processing and storage of cord blood				
Hong Kong	3,196	—	114	—
Corporate				
Hong Kong	<u>—</u>	<u>—</u>	<u>(7,566)</u>	<u>(2,300)</u>
	<u>14,631</u>	<u>6,419</u>	<u>(2,936)</u>	<u>2,432</u>

3. Operating (loss)/profit

	2001 HK\$'000	2000 HK\$'000
(a) Operating (loss)/profit is arrived at after crediting:		
Gross rental income	6,392	6,419
Less related outgoings	(2,027)	(947)
Realised profit on sales of trading securities	155	—
	<u> </u>	<u> </u>
and after charging:		
Depreciation	1,240	422
Amortisation of goodwill	1,214	—
Operating lease rental expense for land and buildings	799	210
	<u> </u>	<u> </u>
(b) As more fully explained in note 5(c) to the 2000 annual accounts, the Group is negotiating with Guangdong International Building Enterprises Company Limited ("GIBE") in respect of the management of the Group's investment property situated on the second floor, GITIC Plaza, Guangzhou. In June 2001, the Group entered into a new management agreement with GIBE with effect from 1st January 2001 onwards. The Group continues negotiations with GIBE as regard to the amount of management fee payable prior to 1st January 2001.		

4. Financial expenses

	2001 HK\$'000	2000 HK\$'000
Interest on bank loan and overdrafts	264	—
	<u> </u>	<u> </u>

5. Taxation

	2001 HK\$'000	2000 HK\$'000
Overseas taxation	1,348	—

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2000: nil).

As explained in note 8 to the 2000 annual accounts, the Group was not responsible for paying income tax in Mainland China for so long as the management agreement remained in force. Pursuant to the new management agreement with GIBE, the Group is responsible for the income tax in Mainland China in relation to its rental income commencing from 1st January 2001. Provision has been made on the estimated assessable profit at the rates of taxation prevailing in Mainland China.

6. (Loss)/Earnings Per Share

The calculation of loss per share is based on the loss attributable to the shareholders of HK\$4,548,000 (2000: profit of HK\$2,432,000) and the weighted average number of 581,494,046 shares (2000: 484,728,853 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.

7. Goodwill

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Cost	29,139	—
Accumulated amortisation	(1,214)	—
At 30th June 2001	27,925	—

8. Debtors and prepayments

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Trade debtors	39,905	38,453
Other debtors	46,718	14,036
Deposits and prepayments	4,207	3,794
	<u>90,830</u>	<u>56,283</u>

Trade debtors include an amount receivable from GIBE amounting to HK\$39,002,000 (2000: HK\$38,408,000). The Group has been negotiating with GIBE for the settlement of this receivable as more fully explained in note 12 to the 2000 annual accounts. Partial settlement was received during the period while the Group concluded a new management agreement with GIBE (see note 3(b) above).

Rental income from tenants is due and payable in advance. Processing and storage fees are normally given an approved credit period of 30 days.

The ageing analysis of the Group's trade debtors, excluding the receivable from GIBE, is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Below 30 days	461	45
61 to 90 days	189	—
91 to 120 days	100	—
Over 120 days	153	—
	<u>903</u>	<u>45</u>

9. Creditors and accruals

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Trade creditors	439	—
Other creditors	19	31
Accrued expenses	3,246	4,868
Deferred revenue	2,973	—
	<u>6,677</u>	<u>4,899</u>

The ageing analysis of the Group's trade creditors is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Below 30 days	379	—
31 to 60 days	1	—
Over 120 days	59	—
	<u>439</u>	<u>—</u>

10. Long-term bank loan

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Secured bank loan	10,856	—
Current portion included in current liabilities	<u>(618)</u>	<u>—</u>
	<u>10,238</u>	<u>—</u>

11. Share capital

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Authorised:		
800,000,000 shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
701,228,853 shares		
(2000: 484,728,853 shares) of		
HK\$0.10 each	70,123	48,473

On 22nd January 2001, 100,000,000 new shares of HK\$0.10 each were issued by the Company at an issue price of HK\$0.30 per share as consideration for the acquisition of 100% equity interest in Cell Therapy Technologies Centre Limited (note 14).

On 6th June 2001, 116,500,000 existing shares of HK\$0.10 each were placed by Sunberry Investments Limited ("Sunberry"), a major shareholder of the Company, to independent investors at a price of HK\$0.20 per share. On the same date, 116,500,000 new shares of HK\$0.10 each were allotted and issued to Sunberry at a price of HK\$0.20 per share.

12. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 31st December 2000	144,623	152,150	(93,686)	203,087
Issue of new shares	31,650	–	–	31,650
Share issue expenses	(321)	–	–	(321)
Loss for the period	–	–	(4,548)	(4,548)
At 30th June 2001	175,952	152,150	(98,234)	229,868

13. Commitments

(a) Capital commitments

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Contracted but not provided for	—	2,349
Authorised but not contracted for	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>2,349</u>

(b) Operating lease commitments

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

As at 30th June 2001	HK\$'000
2001/02	1,604
2002/03	1,393
2003/04	334
	<u>3,331</u>
	<u>3,331</u>
As at 31st December 2000	
2001	1,243
2002	1,267
2003	907
	<u>3,417</u>
	<u>3,417</u>

14. Acquisition of a subsidiary company

	2001 HK\$'000	2000 HK\$'000
Net assets acquired		
Fixed assets	1,290	—
Debtors and prepayments	1,295	—
Cash and bank balances	962	—
Creditors and accruals	(2,686)	—
	<u>861</u>	<u>—</u>
Goodwill on acquisition (note 7)	29,139	—
	<u>30,000</u>	<u>—</u>
Purchase consideration	30,000	—
Issue of new shares as consideration	(30,000)	—
Cash and bank balances acquired	962	—
	<u>962</u>	<u>—</u>
Net cash inflow on acquisition of a subsidiary company	<u>962</u>	<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.

15. Subsequent event

By a special resolution passed on 6th July 2001 the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of 1,200,000,000 shares of HK\$0.10 each.