

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.

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practices (“SSAPs”) issued by the Hong Kong Society of Accountants:

SSAP 1 (revised) Presentation of financial statements

SSAP 9 (revised) Events after the balance sheet date

SSAP 11 (revised) Foreign currency translations

SSAP 14 (revised) Leases

SSAP 15 (revised) Cash flow statements

SSAP 26 Segment reporting

SSAP 28 Provisions, contingent liabilities and contingent assets

SSAP 29 Intangible assets

SSAP 30 Business combinations

SSAP 31 Impairment of assets

SSAP 32 Consolidated financial statements and accounting for investments in subsidiaries

SSAP 33 Discontinuing operations

SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised) and SSAP 33 are applied in advance of their effective dates.

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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Goodwill

Goodwill represents the difference between the cost of an 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.

In previous years, goodwill on acquisitions was taken directly to reserves. This accounting policy has been changed to conform with SSAP 30 Business combinations and such change has the effect of increasing loss for the year ended 31st December 2001 by HK\$2,671,000.

The carrying amount of goodwill is reviewed annually and provision is only made where, in the opinion of the Directors, there is a long-term impairment in value.

(c) 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. Long-term leasehold land is amortised, using the straight-line method, over the remaining periods of the leases. 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:

Buildings	2 to 4%
Leasehold improvements	15 to 33-1/3%
Furniture and equipment	9 to 33-1/3%
Motor vehicles	20%

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets and depreciation (Continued)

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.

(d) Trading securities

Trading securities are carried at fair values. The net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(e) 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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Cash and cash equivalents

For the purpose of the cash flow statement, 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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Retirement 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.

(l) 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 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.

In previous years, profit and loss accounts of subsidiary companies expressed in other currencies were translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translations and this change has no effect to the accounts for the year.

2 TURNOVER AND OTHER REVENUES

	2001 HK\$'000	2000 HK\$'000
Turnover		
Rental and related income	11,851	12,879
Processing, storage and enrolment fees	7,607	—
Sales of trading securities	6,095	5,360
Dividend income	3	16
	<u>25,556</u>	<u>18,255</u>
Other revenues		
Interest	45	1,294
Bad debts recovered	196	221
Sundries	4	757
	<u>245</u>	<u>2,272</u>
	<u>25,801</u>	<u>20,527</u>

NOTES TO THE ACCOUNTS

3 SEGMENT INFORMATION

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

3 SEGMENT INFORMATION (Continued)

	Property investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Bio- technology (cord blood) <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31st December 2000					
Turnover	12,879	5,376	–	–	18,255
Segment results	10,509	(6,036)	–	(8,736)	(4,263)
Financial expenses					(2)
Loss attributable to shareholders					(4,265)
Segment assets	196,938	7,580	–	–	204,518
Unallocated assets					51,941
Total assets					256,459
Segment liabilities	271	5	–	–	276
Unallocated liabilities					4,623
Total liabilities					4,899
Capital expenditure	–	–	–	3,320	3,320
Depreciation	–	–	–	1,181	1,181

NOTES TO THE ACCOUNTS

3 SEGMENT INFORMATION (Continued)

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

	Turnover	Operating	Total	Capital
	<i>HK\$'000</i>	<i>(loss)/profit</i>	<i>assets</i>	<i>expenditure</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>
Year ended 31st December 2000				
Hong Kong	6,198	(13,960)	73,051	3,320
Mainland China	12,057	9,697	183,408	–
	<u>18,255</u>	<u>(4,263)</u>	<u>256,459</u>	<u>3,320</u>

4 OPERATING LOSS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Operating loss is stated after crediting:		
Gross rental income	11,851	12,879
Less related outgoings (<i>note b</i>)	(11,695)	(2,332)
Realised profit on sales of trading securities	–	233
Unrealised gain of trading securities	99	–
	<u> </u>	<u> </u>
and after charging:		
Depreciation	3,096	1,181
Staff costs (including Directors' remuneration)	9,612	4,942
Operating lease rental expense for land and buildings	1,682	316
Auditors' remuneration	192	179
Realised loss on sales of trading securities	1,362	–
Unrealised loss of trading securities	–	6,333
Amortisation of goodwill	2,671	–
Loss on disposal of fixed assets	207	–
	<u> </u>	<u> </u>

4 OPERATING LOSS (Continued)

- (b) Pursuant to a letting and management agreement dated 11th March 1997, INNOMAXX (China) Properties Limited (“ICPL”), a subsidiary company, appointed Guangdong International Trust & Investment Corporation Hong Kong (Holdings) Limited (in Creditors’ Voluntary Liquidation) (“GITIC Hong Kong”), a former intermediate holding company, to manage the property situated on the second floor, GITIC Plaza, Guangzhou (the “Property”) in consideration of a management fee representing 15% of the total gross rental and related income received by ICPL in respect of the Property. Under the agreement, GITIC Hong Kong was also responsible for paying any related income tax in Mainland China out of the management fee payable by the Group (note 7). GITIC Hong Kong in turn appointed Guangdong International Building Enterprises Company Limited (“GIBE”), a former fellow subsidiary company, as its sub-agent to manage the Property under similar terms. GITIC Hong Kong commenced liquidation proceedings in October 1998 and the agreement with GITIC Hong Kong was terminated with effect from 11th June 1999. The Group then commenced negotiation with GIBE for a new property management agreement and proposed for terms similar to those of the previous agreement with GITIC Hong Kong. Provisions were made in previous years on this basis. In June 2001, ICPL entered into a new property management agreement with GIBE with effect from 1st January 2001, under which the management fee has been agreed at 15% on the gross rental income plus a fixed monthly fee of RMB130,000. In addition, the Group is responsible for any related income tax in Mainland China. In March 2002, ICPL also agreed to settle the disputes with GIBE by paying additional management fees of approximately HK\$7.8 million covering the period from March 1997 to December 2000 in exchange for the settlement of the amount receivable from GIBE (note 12).

5 FINANCIAL EXPENSES

	2001 HK\$'000	2000 HK\$'000
Interest on bank loan not wholly repayable within five years	528	—
Interest on bank overdrafts	140	2
Interest on finance lease obligations wholly payable within five years	19	—
	<u>687</u>	<u>2</u>

NOTES TO THE ACCOUNTS

6 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' emoluments

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

	2001 HK\$'000	2000 HK\$'000
Fees	1,050	819
Salaries and other emoluments	5,150	3,466
Discretionary bonuses	–	–
Retirement benefits	61	–
	<u>6,261</u>	<u>4,285</u>

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

	Number of Directors	
Emoluments bands	2001	2000
Nil to HK\$1,000,000	8	12
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>9</u>	<u>13</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\$274,000 (2000: HK\$100,000). During the year, options to subscribe for 43,500,000 options were granted to the Directors under the Company's share option scheme (note 16).

(b) Senior executives' emoluments

Details of emoluments paid by the Group to the five individuals, including four (2000: five) Directors, whose emoluments were the highest in the Group are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other emoluments	5,464	3,943
Discretionary bonuses	–	–
Retirement benefits	54	–
	<u>5,518</u>	<u>3,943</u>

6 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)

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

Emoluments bands	Number of individuals	
	2001	2000
Nil to HK\$1,000,000	4	4
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>5</u>	<u>5</u>

7 TAXATION

	2001	2000
	HK\$'000	HK\$'000
Overseas taxation	<u>1,100</u>	<u>–</u>

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits for the year (2000: nil). Accumulated taxation losses available to the Group and the Company at 31st December 2001 for carry forward to set off against future charges for Hong Kong profits tax are estimated at approximately HK\$93.1 million (2000: HK\$70.8 million) and HK\$28.3 million (2000: HK\$19.0 million) respectively. Future tax benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation.

Under a letting and management agreement dated 11th March 1997, GITIC Hong Kong, as the property manager, was responsible to pay, out of management fee payable by the Group, any income tax in Mainland China in relation to rental income derived from the Group's investment property in Mainland China. The management agreement with GITIC Hong Kong was terminated with effect from 11th June 1999. Pursuant to the new management agreement with GIBE, the Group is responsible for the income tax in relation to its rental income derived in Mainland China commencing from 1st January 2001. Provision has been made at the rates of taxation prevailing in Mainland China on the estimated assessable profit for the year. No provision has been made in respect of the period prior to 1st January 2001 since the Directors are not certain whether the Group is liable to any income tax in previous years under the terms with GITIC Hong Kong. The Directors are of the opinion that any additional tax that may be payable is not significant.

8 LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$36,303,000 (2000: HK\$4,265,000) and on the weighted average of 643,963,100 shares (2000: 484,728,853 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.

NOTES TO THE ACCOUNTS

9 FIXED ASSETS

Group

	Investment properties <i>HK\$'000</i>	Land and buildings Hong Kong <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 31st December 2000	158,000	31,136	3,301	3,417	195,854
Additions	3,000	–	4,373	2,365	9,738
Acquisition of a subsidiary company	–	–	–	1,814	1,814
Transfer	31,136	(31,136)	–	–	–
Revaluation	(16,636)	–	–	–	(16,636)
Disposals	–	–	–	(1,001)	(1,001)
At 31st December 2001	<u>175,500</u>	<u>–</u>	<u>7,674</u>	<u>6,595</u>	<u>189,769</u>
Accumulated depreciation					
At 31st December 2000	–	988	3,095	367	4,450
Charge for the year	–	329	1,664	1,103	3,096
Acquisition of a subsidiary company	–	–	–	524	524
Transfer	1,317	(1,317)	–	–	–
Revaluation	(1,317)	–	–	–	(1,317)
Disposals	–	–	–	(309)	(309)
At 31st December 2001	<u>–</u>	<u>–</u>	<u>4,759</u>	<u>1,685</u>	<u>6,444</u>
Net book value					
At 31st December 2001	<u>175,500</u>	<u>–</u>	<u>2,915</u>	<u>4,910</u>	<u>183,325</u>
At 31st December 2000	<u>158,000</u>	<u>30,148</u>	<u>206</u>	<u>3,050</u>	<u>191,404</u>

NOTES TO THE ACCOUNTS

9 FIXED ASSETS (Continued)

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong		
Long-term leases	30,500	43,148
Mainland China		
Medium-term leases	145,000	145,000
	<u>175,500</u>	<u>188,148</u>

The investment properties are stated at professional valuation made by RHL Appraisal Limited, an independent valuer, on 31st December 2001 on an open market basis. All other assets are carried at cost less accumulated depreciation. At 31st December 2001, the net book value of fixed assets pledged as security for Group's long-term bank loan and overdrafts amounted to HK\$27,500,000 (2000: nil) and those held under finance leases amounted to HK\$1,159,000 (2000: nil).

10 GOODWILL

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Acquisition of a subsidiary company	29,139	–
Amortisation for the year	<u>(2,671)</u>	<u>–</u>
	<u>26,468</u>	<u>–</u>

11 SUBSIDIARY COMPANIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost less provision	180,000	180,000
Amounts receivable less provision	67,275	50,561
Amounts payable	<u>(9,717)</u>	<u>–</u>
	<u>237,558</u>	<u>230,561</u>

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

11 SUBSIDIARY COMPANIES (Continued)

Particulars of the subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2001	2000		
* Biogrowth Assets Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Cell Therapy Technologies Centre Limited	Hong Kong	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
INNOMAXX (China) Properties Limited	Hong Kong/ Mainland China	100	100	HK\$10,000	Property investment
INNOMAXX (Hong Kong) Limited	Hong Kong	100	100	HK\$2	Dormant
* 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

* Subsidiary companies directly held by the Company

NOTES TO THE ACCOUNTS

12 DEBTORS AND PREPAYMENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	32,715	38,453	–	–
Other debtors	53,324	14,036	47,247	14,055
Deposits and prepayments	1,842	3,794	616	788
	<u>87,881</u>	<u>56,283</u>	<u>47,863</u>	<u>14,843</u>

Trade debtors include an amount receivable from GIBE amounting to HK\$31,316,000 (2000: HK\$38,408,000). This receivable represents rental income from the Property collected by GIBE on behalf of the Group after netting off the property management fees payable as explained in note 4(b) above. Since Guangdong International Trust & Investment Corporation (“GITIC”), the former ultimate holding company, commenced liquidation in October 1998, GIBE faced cash flows and other financial constraints. As a result, the Group continues negotiating with GIBE for a settlement plan of this receivable in conjunction with the terms of the proposed property management agreement. In 2001, the liquidators of GITIC proposed to restructure GIBE and dispose of its interest in GIBE. Since GIBE has significant property interest in Guangzhou, the Directors are confident that the amount will be fully recoverable following the agreement of the outstanding property management fees payable to GIBE. In view of the circumstances explained above, the Directors consider that it is not meaningful to present an ageing analysis of the receivable from GIBE.

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 30 days. At 31st December 2001, the ageing analysis of the remaining trade debtors was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Below 30 days	571	45
30 to 60 days	288	–
60 to 90 days	235	–
Over 90 days	305	–
	<u>1,399</u>	<u>45</u>

NOTES TO THE ACCOUNTS

13 TRADING SECURITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	247	7,580

14 CREDITORS AND ACCRUALS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade creditors	331	–	–	–
Other creditors	3,883	31	–	–
Accrued expenses	5,056	4,868	4,386	4,529
	<u>9,270</u>	<u>4,899</u>	<u>4,386</u>	<u>4,529</u>

At 31st December 2001, the ageing analysis of the trade creditors was as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Below 30 days	275	–
30 to 60 days	56	–
	<u>331</u>	<u>–</u>

NOTES TO THE ACCOUNTS

15 LONG-TERM LIABILITIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan, secured and not wholly repayable within five years	10,528	—
Obligations under finance leases wholly payable within five years	709	—
	<u>11,237</u>	<u>—</u>
Current portion included under current liabilities	(841)	—
	<u>10,396</u>	<u>—</u>

The bank loan is secured by certain investment properties, carries interest at prevailing Hong Kong dollar best lending rate and repayable by various instalments up to March 2013.

The bank loan is repayable in the following years:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	711	—
In the second year	748	—
In the third to fifth year	2,486	—
After the fifth year	6,583	—
	<u>10,528</u>	<u>—</u>

The finance lease obligations are payable in the following years:

	Minimum payments	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	180	130
In the second year	180	143
In the third to fifth year	478	436
	<u>838</u>	<u>709</u>

16 SHARE CAPITAL

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
2,000,000,000 shares (2000: 800,000,000 shares) of HK\$0.10 each	<u>200,000</u>	<u>80,000</u>
Issued and fully paid:		
771,228,853 shares (2000: 484,728,853 shares) of HK\$0.10 each	<u>77,123</u>	<u>48,473</u>

By an ordinary 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 new shares of HK\$0.10 each.

On 22nd January 2001, the Company allotted and issued 100,000,000 new shares of HK\$0.10 each at an issue price of HK\$0.30 per share as consideration for the acquisition of the 100% equity interest in Cell Therapy Technologies Centre Limited. On 18th June 2001 and 21st December 2001, the Company allotted and issued 116,500,000 and 70,000,000 new shares of HK\$0.10 each at the issue price of HK\$0.20 and HK\$0.11 per share respectively, for cash to provide additional working capital to the Group. Subsequent to the balance sheet date, the Company allotted and issued 70,000,000 new shares of HK\$0.10 each on 11th February 2002 at an issue price of HK\$0.10 per share for cash to provide additional working capital to the Group. All the new issued shares rank pari passu with the existing shares.

Under the Company's share option scheme (the "Scheme") approved by the shareholders of the Company on 11th March 1997, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Scheme. On 29th August 2001, new options to subscribe for 44,900,000 shares (2000: nil) were granted to employees (including Directors of the Company). During the year, options to subscribe for 12,110,000 shares (2000: 20,840,000 shares) were lapsed.

NOTES TO THE ACCOUNTS

16 SHARE CAPITAL (Continued)

As at 31st December 2001, outstanding options under the Scheme, none of which has been exercised, were as follows:

Date granted	Period during which options are exercisable	Exercise price per share	Number of shares options outstanding	
			2001	2000
15th November 1997	15th May 1998 to 10th March 2007	1.31	8,000,000	19,110,000
10th February 1998	10th August 1998 to 10th March 2007	0.68	500,000	1,500,000
29th August 2001	1st March 2002 to 28th February 2005	0.145	44,900,000	—
			<u>53,400,000</u>	<u>20,610,000</u>

17 RESERVES

	2001 HK\$'000	2000 HK\$'000
Group		
Share premium	175,946	144,623
Contributed surplus	152,150	152,150
Accumulated loss	(129,989)	(93,686)
	<u>198,107</u>	<u>203,087</u>
Company		
Share premium	175,946	144,623
Contributed surplus	234,944	234,944
Accumulated loss	(206,182)	(186,337)
	<u>204,708</u>	<u>193,230</u>

17 RESERVES (Continued)

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

The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$19,845,000 (2000: HK\$14,095,000).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is available for distribution to shareholders. Accordingly, total distributable reserves of the Company at 31st December 2001 were HK\$28,762,000 (2000: HK\$48,607,000).

18 CONTINGENT LIABILITIES

The Company has provided corporate guarantee in respect of loan facilities granted to a subsidiary company amounting to HK\$13,487,000 (2000: nil).

19 COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided for	98	2,349
Authorised but not contracted for	—	—
	<u>98</u>	<u>2,349</u>

(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	
	2001	2000
	HK\$'000	HK\$'000
2001	—	1,308
2002	1,528	1,267
2003	983	907
	<u>2,511</u>	<u>3,482</u>

NOTES TO THE ACCOUNTS

19 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:

	2001	2000
	HK\$'000	HK\$'000
2001	—	9,330
2002	9,764	7,670
2003	8,179	7,584
2004	7,279	7,584
2005	7,279	7,584
2006	6,699	5,785
2007 and afterwards	45,052	44,755
	<u>84,252</u>	<u>90,292</u>

20 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 fund are held separate from the assets of the Group and contributions are calculated as a percentage of the employees' basic salaries. Contributions to the scheme during the year are HK\$180,000 (2000: nil).

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of a subsidiary company

	2001 HK\$'000	2000 HK\$'000
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	962	—
	<hr/>	<hr/>

The subsidiary company acquired during the year contributed HK\$441,000 (2000: nil) to the Group's cash flows from operating activities and utilised HK\$657,000 (2000: nil) for investing activities.

(b) Analysis of cash from financing activities

	Share capital and premium HK\$'000	Loans and finance lease obligations HK\$'000
At 31st December 1999	193,096	—
Net cash flows from financing activities	<hr/>	<hr/>
	—	—
At 31st December 2000	193,096	—
Issue new shares for acquisition of subsidiary company	30,000	—
Issue new shares for cash	29,973	—
Inception of finance leases	—	750
Net cash flows from financing activities	<hr/>	<hr/>
	—	10,487
At 31st December 2001	<hr/>	<hr/>
	253,069	11,237

NOTES TO THE ACCOUNTS

22 RELATED PARTY TRANSACTIONS

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

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of a property (<i>note a</i>)	3,000	–
Purchase of motor vehicles (<i>note b</i>)	–	1,700
	<u> </u>	<u> </u>
(a) The Group acquired a property from Rich Key Enterprises Limited, a wholly owned subsidiary company of GITIC Hong Kong, a 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.		
(b) The Group purchased two motor vehicles from Tradextend Investments Limited and Linking Investment Limited, both of which are beneficially owned by Mr Tong Nai Kan, Chairman and Managing Director and substantial shareholder of the Company, or his associates, at a consideration of HK\$900,000 and HK\$800,000 respectively. The prices were arrived at with reference to valuations by an independent automobile company.		

23 SUBSEQUENT EVENT

On 11th February 2002, the Company allotted and issued 70,000,000 new shares of HK\$0.10 each at an issue price of HK\$0.10 per share for cash to provide additional working capital to the Group.

24 APPROVAL OF THE ACCOUNTS

The accounts were approved by the Board of Directors on 3rd April 2002.