



INNOMAXX

INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(Incorporated in Bermuda with limited liability)



Annual Report

2004

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Corporate Information

DIRECTORS

Executive Directors

Zhou Yucheng (*Chairman*)
Fu Weimin
Qi Xianchao (*Chief Executive Officer*)
Zhao Linye

Independent Non-Executive Directors

Tang Tin Sek
Wang Yiming

COMPANY SECRETARY

Pang Kwei Ping

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3206-3211, 32nd Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
26/F., Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications, Hong Kong Branch
CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

00340

Report from the Chief Executive Officer

REVIEW

For the year under review, the Group reported a turnover of HK\$242,459,000 (2003: HK\$18,109,000), representing a remarkable increase of 12.4 times as compared with 2003. The substantial increase in turnover was mainly due to the commencement of trading business during the year 2004. The Group's loss attributable to shareholders for the year was HK\$86,215,000 (2003: HK\$35,290,000).

Umbilical Cord Blood Storage

The Group has devoted much of its efforts in increasing the public awareness of the benefits of umbilical cord blood storage during the recent years. During the year 2004, the enrolment of our umbilical cord blood storage services has reached a record high, representing a growth rate of 31%, and a turnover of HK\$11,724,000 (2003: HK\$9,287,000) was reported.

In the second half of 2004, the Group has successfully introduced its umbilical cord blood storage services into Macau and it is expected that the business in Macau will grow in a faster pace in 2005.

Investment

The Group has been holding an investment property, being Level 2, GITIC Plaza, 339 Huanshi Road East, Guangzhou, Guangdong Province, PRC (the "GITIC Plaza"), since 3 March 1997 under medium term lease in Mainland China. The value of GITIC Plaza was stated as approximately HK\$155,800,000 at a professional valuation made by Savills (Hong Kong) Limited, an independent valuer, on 31 December 2004 on an open market basis.

GITIC Plaza has generated a rental income of HK\$8,805,000 (2003: HK\$8,807,000) for the year ended 31 December 2004.

In addition, the Group has invested in some listed securities during the year, which has realised a profit of HK\$2,450,000 (2003: Nil) for the year ended 31 December 2004.

International Trade

The Group commenced trading business in the second half of 2004 which mainly involved in the sourcing and distribution of pharmaceutical ingredients and chemicals. A turnover of HK\$163,730,000 (2003: Nil) was reported for the year.

Report from the Chief Executive Officer (continued)**Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited**

On 5 March 2004, Offspring Investments Limited ("Offspring"), a wholly-owned subsidiary of the Company, entered into a conditional agreement to acquire 30% equity interest in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful") from China Worldbest Life Industries Company Limited ("CWGC Life"), a subsidiary company of China Worldbest Group Company Limited, a substantial shareholder of the Company, at a consideration of RMB165,000,000 (approximately HK\$156,000,000), 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 has subsequently agreed to extend the payment period in respect of the second and third instalments to 31 March 2005.

As disclosed in the announcement of the Company made on 1 April 2005, since the Group had failed to raise sufficient fund to pay the second and third instalments on or before 31 March 2005, CWGC Life and Offspring had entered into a rescission agreement to rescind the Agreement on 1 April 2005 (the "Rescission Agreement"). Pursuant to the Rescission Agreement, Offspring shall 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 shall return RMB49.5 million, 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 in the PRC are properly obtained and completed.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2004, the Group had net current liabilities of HK\$12,581,000 (2003: Net current assets of HK\$166,993,000) and the current ratio was 0.92 (2003: 11.5). Current liabilities increased by HK\$147,121,000 or 927%, mainly due to the outstanding balance of the consideration for the acquisition of 30% equity interest in SW Treeful as at the year end date. Upon signing of the Rescission Agreement on 1 April 2005, the Group's payment obligation under the original Agreement has been released and the first instalment paid to CWGC Life, being RMB49.5 million (equivalent to approximately HK\$46,698,000) will be returned to the Group after completion of the transfer of shares back to CWGC Life. The current ratio will be improved thereafter.

As at 31 December 2004, the Group had bank balances and cash, pledged deposits and investments in securities amounted to HK\$85,605,000, of which all of them were denominated in Hong Kong dollars. The Group had total borrowings of HK\$37,276,000 (2003: HK\$41,597,000) which were all interest bearing loans. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 13.3% (2003: 12.6%). As most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group does not expect significant exposure to foreign exchange fluctuation.

Report from the Chief Executive Officer (continued)

On 9 December 2003, the Group issued a convertible bond of HK\$36,000,000 at par. 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.

CHARGES ON ASSETS

At the balance sheet date, the Group had pledged the investment property, the receivable in amount of approximately HK\$31,725,000 (2003: HK\$33,506,000) from Guangdong International Building Enterprises Company Limited and certain unlisted securities for secured bank loan, which was denominated in Hong Kong dollars and carried interest rate at 2.65% above HIBRO, amounted to HK\$36,910,000 (2003: HK\$40,910,000). The Group had also pledged the deposits and investments in securities, amounted to HK\$24,189,000 (2003: HK\$1,414,000) to bank and financial institutions in securing the credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2004.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed above under the heading "Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited", there were no material acquisitions or disposals of subsidiaries and associated companies during the year.

PROSPECTS

The Group's development in international trade has been outstanding during the year under review. The management believes that in the foreseeable future return from the trading business will be further improved. Both the international trade and our investment in GITIC Plaza would continue to provide a steady income stream for the Group.

We are chasing the highest standard in umbilical cord blood processing for our laboratory and are applying for AABB (American Association of Blood Banks) accreditation in the coming year.

The management anticipates that in 2005, there will be competition in the provision of umbilical cord blood storage service in the private sector. However the management has confidence that with our continuous improvement in technical know-how and dedication of our staff to provide high quality services, our umbilical cord blood storage service would continue to attain a considerable growth rate.

The Group will continue to review its business strategies, restructure its assets and strive for improvement in operation efficiency and earning capacity in the coming year. It is the Group's intention to continue pursuing investment opportunities that are of high potential and to maximize returns to our shareholders.

Report from the Chief Executive Officer (continued)

HUMAN RESOURCES

As at 31 December 2004, the Group had 35 and 6 employees in Hong Kong and the PRC respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to Directors and employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

APPRECIATION

On behalf of the Board, I would take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

On behalf of the Board

Qi Xianchao

Executive Director and Chief Executive Officer

Hong Kong, 21 April 2005

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

ZHOU Yucheng

Mr. Zhou, aged 60, was appointed as an executive director and Chairman of the Company in September and October 2003, respectively. Mr. Zhou graduated from Hefei Industrial University, majoring in mechanics. He has been the Head of the Policy and Regulations Department of the Ministry of Textile Industry of China, President of China Worldbest Group Company Limited, Chairman of the Board of China Eternal Sky Corporation and China Textile Machinery Group. Mr. Zhou is currently a director of China Worldbest Group (Hong Kong) Company Limited and the Chairman of China Worldbest Group Company Limited, substantial shareholders of the Company. He is also the Chairman of Shanghai Pharmaceutical (Group) Co., Ltd., a Deputy of the Tenth People's Congress of Shanghai Municipality, a part-time and visiting professor of Shanghai Jiaotong University, Donghua University and Hefei Industrial University, a Vice Chairman of the China Enterprise Confederation and a Vice President of the Council for the Promotion of Group Companies of China and the China Medical Foundation.



FU Weimin

Mr. Fu, aged 48, was appointed as an executive director of the Company in September 2003. Mr. Fu has post-graduate qualifications and is a senior accountant in Mainland China. He has served in the senior management of Shanghai First Textile Factory, Shanghai Lan Tian Food Factory and China Worldbest Group Company Limited. Mr. Fu is currently an Assistant to the President of China Worldbest Group Company Limited, a substantial shareholder of the Company.

QI Xianchao

Mr. Qi, aged 40, was appointed as an executive director and Chief Executive Officer of the Company in October 2003. Mr. Qi graduated from the University of Science & Technology of China with a professional research degree in System Science and Operation Management and with a Master Degree in Business Administration from China-Euro International Business School. He has been the Chairman and General Manager of Shanghai High-sun Investments Management Company Limited, the Managing Director of China Worldbest Group (Hong Kong) Company Limited, Assistant to the President of China Worldbest Group Company Limited, and the Vice President of H&J Vanguard Research and Consulting Company Limited. He has over 10 years experience in acquisition & merger, capital operations and corporate management.

Biographical Details of Directors and Senior Management (continued)**EXECUTIVE DIRECTORS (continued)****ZHAO Linye**

Mr. Zhao, aged 34, was appointed as a Vice President of the Group and an executive director of the Company in September and October 2004, respectively. Mr. Zhao graduated from the Postgraduate School of the University of Wuhan with a Master Degree in Business Administration. He has been a General Manager of the Merger and Acquisition Department of Beijing Zhong Hua Enterprise (Joint-stock) Consulting Company, Deputy General Manager of Anhui Province International Trust & Investment Company and Shenzhen Anpeng Investment Company, Director and Deputy General Manager of Shenzhen Delu Investment Company. Mr. Zhao has extensive experience in corporate restructuring, acquisition and merger and corporate investment management. He is currently the Deputy General Manager of China Worldbest Group (Hong Kong) Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS**TANG Tin Sek**

Mr. Tang, aged 46, was appointed as independent non-executive director of the Company in May 2000. Mr. Tang is a Certified Public Accountant and a partner of Terence Tang & Partners. He is a member of The Institute of Chartered Accountants in Australia, The Chinese Institute of Certified Public Accountants in China and The Association of Chartered Certified Accountants in the United Kingdom. Mr. Tang holds a Bachelor of Science Degree from the University of Hong Kong, a Master of Business Administration Degree from the University of Sydney, Australia and a Doctor of Accountancy Degree from the Polytechnic University. Mr. Tang is also an independent non-executive director of CEC International Holdings Ltd., Frankie Dominion International Ltd., New Smart Holdings Ltd. and Sinochem Hong Kong Holdings Ltd.

WANG Yiming

Ms. Wang, aged 59, was appointed as an independent non-executive director of the Company in September 2003. Ms. Wang graduated from the Department of Chemical Engineering, East China Science and Technology University. She has been a lecturer in the Analysis Center of Pharmaceutical University of China in Nanjing and a visiting scholar in the Department of Chemistry, State University of Pennsylvania. Since her return to China in 1994, she has been an associate professor and a professor of the Faculty of Chemistry in Tsinghua University. Ms. Wang is currently a committee member of the Beijing Branch of Chromatography Academy of China and an expert consultant of the Bio-Medicine Science and Technology of Wuhu City, Anhui Province.

Biographical Details of Directors and Senior Management (continued)**SENIOR MANAGEMENT****SI Wei**

Mr. Si, aged 38, was appointed as the Vice President and Chief Finance Officer of the Company in October 2003. Mr. Si holds a Master degree from Beijing University of Aeronautics & Astronautics, with a major in system engineering and management engineering. He has served as the Secretary of the Ministry of Machinery and Electronics, Deputy Chief Officer of the Major Equipment Management Office, Senior Manager of the international section of the Industrial and Commercial Bank of China, Deputy General Manager of the International Business Department, and General Manager of the Financial Business Department of Beijing International Trust & Investment Company, and the General Manager of the Financial Business Department of Zhong Guan Cun.

ZHANG Tao

Mr. Zhang, aged 43, was appointed as the Vice President and Chief Technology Officer of the Company in October 2003. Mr. Zhang holds a PhD from the Innsbruck University of Austria in organic synthesis. He was a lecturer in the Department of Applied Chemistry in Beijing Agricultural University, Post-doctorate and Deputy Researcher of Shanghai Institute of Organic Chemistry, the Chinese Academy of Sciences, the General Manager of Beijing Double-Crane Modern Pharmaceutical Technology Limited, Deputy Chief Officer of the Science Technology Committee and the standing deputy head of Double-Crane Research Institute of Beijing Double-Crane Pharmaceutical Limited.

MA Shiwei

Ms. Ma, aged 48, was appointed as a Vice President of the Group in September 2004 and is in charge of the international trade business of the Group. Prior to joining us, Ms. Ma was the General Manager of the Import & Export (Electrical & Mechanical) Department of China Worldbest Group Company Limited and a director and the General Manager of China Worldbest Group (Hong Kong) Company Limited. Ms. Ma has extensive experience in international trade and corporate management.

PANG Kwei Ping

Ms. Pang, aged 39, was appointed as the Secretary of the Company in May 2004. Ms. Pang graduated from the University of South Australia with a Master Degree in Business Administration. She is a chartered secretary and an associate member of The Hong Kong Institute of Company Secretaries and the Institution of Chartered Secretaries and Administrators in UK. Ms. Pang has worked in different management positions in several listed companies and accounting firms and has been a director of a business services consulting company in Hong Kong. She has extensive experience in corporate compliance and management.

Biographical Details of Directors and Senior Management (continued)

SENIOR MANAGEMENT (continued)

TSANG Hin Wah, Kelvin

Mr. Tsang, aged 46, was appointed as the General Manager of Cell Therapy Technologies Centre Limited, a wholly owned subsidiary of the Company, in June 2004. Mr. Tsang is a registered pharmacist in Hong Kong and has been working in the pharmaceutical field for around 20 years. Prior to joining the Group, Mr. Tsang has worked in the sales and marketing positions as well as senior management in multinational pharmaceutical companies such as SmithKline Beecham and Beaufour Ipsen.

YU Oi Kee

Miss Yu, aged 32, was appointed as the Finance Manager of the Company in September 2003. Miss Yu holds a Master Degree of Business Administration and a Degree of Bachelor of Arts in Accountancy. She is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Prior to joining the Group, she worked with an international accounting firm and a listed company. She has extensive experience in financial management, taxation and general management.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 35 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 19.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 13 respectively to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Zhou Yucheng (*Chairman*)

Fu Weimin

Qi Xianchao

Zhao Linye

(appointed on 13 October 2004)

Chan Iu Nam John Bosco

(appointed on 18 February 2004 and
resigned on 15 September 2004)

Tong Nai Kan

(resigned on 14 May 2004)

Leung Wai Kwan

(resigned on 14 June 2004)

Independent non-executive directors:

Tang Tin Sek

Wang Yiming

Julia Frances Charlton-Stevens

(appointed on 28 September 2004 and
resigned on 28 February 2005)

Directors' Report (Continued)

DIRECTORS (continued)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Zhao Linye, shall retire and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Tang Tin Sek, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests of the directors in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interest in shares of the Company (long position)

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Tang Tin Sek	Beneficial owner	300,000	0.01%

Other than as disclosed above, none of the directors and their associates had any interests or short positions in any shares, underlying shares of the Company or any of its associated corporations as at 31 December 2004.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in "Share option schemes" below, at no time during the year was the Company, any of its holding companies or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report (Continued)

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2004, the register required to be kept under Section 336 of the SFO shows that the following shareholders and their associates had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
China Worldbest Group (Hong Kong) Company Limited ("China Worldbest HK") (Note)	Corporate interest	640,000,000	25.97%
China Worldbest Group Company Limited ("China Worldbest") (Note)	Interest in controlled corporation	640,000,000	25.97%
Equity Valley Investments Limited	Corporate interest	346,584,000	14.06%

Note: China Worldbest HK is wholly beneficially owned by China Worldbest. Under Part XV of the SFO, China Worldbest is deemed to have interest in the shares of the Company held by China Worldbest HK.

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2004.

SHARE OPTION SCHEMES

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.

Directors' Report (Continued)

SHARE OPTION SCHEMES (continued)

Particulars of each share option scheme are set out in note 27 to the financial statements. Details of movements in the share options held by directors under each share option scheme for the year ended 31 December 2004 are as follows:

(a) Old Share Option Scheme

The details of share options granted on 29 August 2001 to the directors of the Company under the Old Share Option Scheme which were exercisable from 1 March 2002 to 28 February 2005 are as follows:

Participant	Exercise price per share <i>HK\$</i>	Number of share options Outstanding as at 1.1.2004 & 31.12.2004
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Director:

Mr. Tong Nai Kan (resigned on 14 May 2004)	0.145	17,500,000
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(b) New Share Option Scheme

The details of share options granted on 3 January 2003 to the directors of the Company under the New Share Option Scheme which were exercisable from 3 January 2003 to 2 January 2008 are as follows:

Participant	Exercise price per share <i>HK\$</i>	Number of share options		
		Outstanding as at 1.1.2004	Cancelled during the year	Outstanding as at 31.12.2004

Director:

Mr. Tong Nai Kan (resigned on 14 May 2004)	0.1	9,966,000	9,966,000	–
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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Directors' Report (Continued)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

MANAGEMENT CONTRACTS

Guangdong International Building Enterprises Company Limited has a management services contract with the Group during the year and this company received management service fees amounting to HK\$2,766,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 53% of the Group's total sales while the sales attributable to the Group's largest customer were approximately 24% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 96% of the Group's total purchases while the purchases attributable to the Group's largest supplier were approximately 82% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the five largest customers or suppliers of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in the then Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company.

The Company has adopted the Model Code regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report (Continued)**COMPETING INTEREST**

None of the directors of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float.

CONNECTED TRANSACTIONS AND 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 Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful") from China Worldbest Life Industries Company Limited ("CWGC Life"), a subsidiary company of China Worldbest, 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 of 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.

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 have 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, 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 Mainland China are properly obtained and completed.

Directors' Report (Continued)

AUDITORS

During the year, Messrs. PricewaterhouseCoopers, who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company on 23 February 2005.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Zhou Yucheng

Chairman

Hong Kong, 21 April 2005

Auditors' Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 April 2005

Consolidated Income Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	242,459	18,109
Cost of sales		(223,051)	(1,823)
Gross profit		19,408	16,286
Other operating income	6	1,892	1,216
Administrative expenses		(41,947)	(52,485)
Impairment loss recognised in respect of investments in securities		(20,000)	(10,000)
(Deficit) surplus on revaluation of investment properties		(6,600)	15,400
Loss from operations	7	(47,247)	(29,583)
Finance costs	9	(2,373)	(3,379)
Share of results of associates		(28,065)	(1,051)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	16	(8,355)	–
Loss before taxation		(86,040)	(34,013)
Taxation	10	(175)	(1,277)
Net loss for the year		(86,215)	(35,290)
Loss per share – basic	11	(3.92) cents	(2.15) cents

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	12	4,622	5,530
Investment properties	13	155,800	162,400
Goodwill	14	17,726	20,640
Interest in associates	16	155,660	36,420
Investments in securities	17	–	20,000
		<hr/> 333,808	<hr/> 244,990
Current assets			
Inventories		362	314
Trade and other receivables	18	64,450	78,362
Investments in securities	17	7,639	184
Pledged bank deposits	33	10,342	1,230
Pledged deposits in financial institutions	33	6,208	–
Bank balances and cash		61,416	102,780
		<hr/> 150,417	<hr/> 182,870
Current liabilities			
Trade and other payables	19	49,697	11,521
Amount due to a related company	21	108,962	–
Taxation payable		90	35
Secured bank borrowings – amount due within one year	22	4,000	4,000
Obligation under finance leases – due within one year	24	249	321
		<hr/> 162,998	<hr/> 15,877
Net current (liabilities) assets		<hr/> (12,581)	<hr/> 166,993
Total assets less current liabilities		<hr/> 321,227	<hr/> 411,983
Non-current liabilities			
Secured bank borrowings – amount due after one year	22	32,910	36,910
Convertible bond	23	–	36,000
Obligation under finance leases – due after one year	24	117	366
Deferred taxation	25	7,946	8,282
		<hr/> 40,973	<hr/> 81,558
Net assets		<hr/> 280,254	<hr/> 330,425

Consolidated Balance Sheet (Continued)

At 31 December 2004

	<i>Notes</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Capital and reserves			
Share capital	26	246,481	210,451
Reserves		33,773	119,974
Shareholders' funds		280,254	330,425

The financial statements on pages 19 to 57 were approved and authorised for issue by the Board of Directors on 21 April 2005 and are signed on its behalf by:

Zhou Yucheng
DIRECTOR

Qi Xianchao
DIRECTOR

Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	15	285,804	264,430
Current assets			
Trade and other receivables	18	2,736	41,721
Bank balances and cash		54,993	98,876
		57,729	140,597
Current liabilities			
Trade and other payables	19	6,880	1,464
Net current assets		50,849	139,133
Total assets less current liabilities		336,653	403,563
Non-current liabilities			
Amounts due to subsidiaries	20	48,618	45,641
Convertible bond	23	–	36,000
		48,618	81,641
Net assets		288,035	321,922
Capital and reserves			
Share capital	26	246,481	210,451
Reserves	28	41,554	111,471
Shareholders' funds		288,035	321,922

Zhou Yucheng
DIRECTOR

Qi Xianchao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>(note 28)</i> <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	119,603	175,946	152,150	(174,051)	273,648
Issue of new shares	80,620	–	–	–	80,620
Exercise of share options	10,228	1,219	–	–	11,447
Net loss for the year	–	–	–	(35,290)	(35,290)
At 31 December 2003	210,451	177,165	152,150	(209,341)	330,425
Conversion of convertible bond	36,000	–	–	–	36,000
Exercise of share options	30	14	–	–	44
Net loss for the year	–	–	–	(86,215)	(86,215)
At 31 December 2004	<u>246,481</u>	<u>177,179</u>	<u>152,150</u>	<u>(295,556)</u>	<u>280,254</u>

The accumulated losses of the Group include approximately HK\$29,311,000 (2003: accumulated losses of HK\$1,246,000) retained by associates of the Group.

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Operating activities		
Loss before taxation	(86,040)	(34,013)
Adjustments for:		
Deficit (surplus) on revaluation of investment properties	6,600	(15,400)
Dividend income	(21)	(1)
Interest expense	2,373	3,379
Interest income	(137)	(50)
Amortisation of goodwill	2,914	2,914
Depreciation of property, plant and equipment	1,600	2,788
Loss on disposal of property, plant and equipment	57	180
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	8,355	–
Impairment loss recognised in respect of investments in securities	20,000	10,000
Share of results of associates	28,065	1,051
Operating cash outflows before movements in working capital	(16,234)	(29,152)
Increase in inventories	(48)	(97)
Decrease in trade and other receivables	13,912	23,423
Increase in investments in securities	(7,455)	(14)
Increase (decrease) in trade and other payables	38,176	(1,581)
Decrease in amount due to a director	–	(4,482)
Cash generated from (used in) operations	28,351	(11,903)
Mainland China (the "PRC") Enterprise income tax paid	(456)	(574)
Net cash generated from (used in) operating activities	27,895	(12,477)
Investing activities		
Dividend received	21	1
Interest received	137	50
Purchase of property, plant and equipment	(976)	(2,670)
Acquisition of an associate	(46,698)	–
Acquisition of other security	–	(30,000)
Increase in pledged bank deposits	(9,112)	(1,230)
Increase in pledged deposits in financial institutions	(6,208)	–
Proceeds from disposal of property, plant and equipment	227	–
Net cash used in investing activities	(62,609)	(33,849)
Financing activities		
Interest paid	(2,373)	(3,379)
Net proceeds from issue of new shares	44	92,067
Proceeds from issue of convertible bond	–	36,000
New bank borrowings raised	–	42,910
Repayment of bank borrowings	(4,000)	(2,000)
Repayment of short-term loan	–	(20,000)
Repayment of obligation under finance leases	(321)	(308)
Net cash (used in) generated from financing activities	(6,650)	145,290
Net (decrease) increase in cash and cash equivalents	(41,364)	98,964
Cash and cash equivalents at 1 January	102,780	3,816
Cash and cash equivalents at 31 December	61,416	102,780
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	61,416	102,780

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

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

	Turnover <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital additions <i>HK\$'000</i>
2004			
Hong Kong	233,654	140,618	976
The PRC	8,805	343,607	–
	242,459	484,225	976
2003			
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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest income	137	50
Exchange gain	48	–
Reversal of allowance for bad and doubtful debts	–	1,079
Sundries	1,215	87
Unrealised holding gain of investments in securities	492	–
	1,892	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>)	6,801	8,296
Other staff costs	9,891	4,134
Other staff retirement benefit scheme contributions	220	140
	<hr/>	<hr/>
Total staff costs	16,912	12,570
Auditors' remuneration		
– current year	1,200	323
– underprovision in prior year	15	108
Amortisation of goodwill (included in administrative expenses)	2,914	2,914
Depreciation of property, plant and equipment		
– owned by the Group	1,170	2,358
– held under finance leases	430	430
Loss on disposal of property, plant and equipment	57	180
Operating lease rentals in respects of land and buildings	3,057	1,971
and after crediting:		
Gross rental income	8,805	8,807
Less: Outgoings	(3,344)	(3,366)
	<hr/>	<hr/>
Interest income	5,461	5,441
Net gain from disposal of trading securities	137	50
Reversal of allowance for bad and doubtful debts	2,450	–
Reversal of allowance for bad and doubtful debts	–	1,079
Unrealised holding gain of investments in securities	492	–
	<hr/>	<hr/>

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' emoluments		
Fees	1,057	969
Salaries and others	5,721	7,283
Retirement benefit scheme contributions	23	44
	<hr/>	<hr/>
	6,801	8,296
	<hr/>	<hr/>

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:

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

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:

	2004	2003
	HK\$'000	HK\$'000
Salaries and others	611	–
Retirement benefit scheme contributions	12	–
	<hr/>	<hr/>
	623	–
	<hr/>	<hr/>

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

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

Notes to the Financial Statements (Continued)

For the year 31 December 2004

10. TAXATION

	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	(56)	–
PRC Enterprise Income Tax	(455)	(492)
	<hr/>	<hr/>
Current tax	(511)	(492)
Deferred taxation (<i>note 25</i>)	336	(785)
	<hr/>	<hr/>
	(175)	(1,277)
	<hr/>	<hr/>

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:

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

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>
THE GROUP				
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)
At 31 December 2004	1,339	4,828	2,711	8,878
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)
At 31 December 2004	416	2,154	1,686	4,256
NET BOOK VALUES				
At 31 December 2004	923	2,674	1,025	4,622
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

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

Notes to the Financial Statements (Continued)

For the year 31 December 2004

15. INTERESTS IN SUBSIDIARIES

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

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

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

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

19. TRADE AND OTHER PAYABLES

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

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

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

THE GROUP	
2004	2003
HK\$'000	HK\$'000

The secured bank borrowings are repayable as follows:

Within one year	4,000	4,000
Between one to two years	4,000	4,000
Between two to five years	13,800	4,000
After five years	15,110	28,910
	<hr/>	<hr/>
	36,910	40,910
	<hr/>	<hr/>
Less: Amount due within one year shown under current liabilities	(4,000)	(4,000)
	<hr/>	<hr/>
Amount due after one year	32,910	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
THE GROUP				
Amounts payable under finance leases:				
Within one year	269	358	249	321
In the second to fifth year inclusive	120	388	117	366
	389	746	366	687
Less: Future finance charges	(23)	(59)	–	–
Present value of lease obligations	366	687	366	687
Less: Amount due within one year			(249)	(321)
Amount due after one year			117	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:

	Revaluation of investment properties <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:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Deferred tax liabilities	<u>7,946</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	4,000,000,000	4,000,000,000	400,000	400,000
Issued and fully paid:				
At 1 January	2,104,512,853	1,196,028,853	210,451	119,603
Issue of new shares on exercise of share options	300,000	102,284,000	30	10,228
Issue of new shares	–	806,200,000	–	80,620
Issue of new shares on conversion of convertible bond (<i>note 23</i>)	360,000,000	–	36,000	–
At 31 December	2,464,812,853	2,104,512,853	246,481	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

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
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	2,686	4,646	2,113	2,139
In the second to fifth year inclusive	3,145	5,840	3,145	5,264
	5,831	10,486	5,258	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:

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

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

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

(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:

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
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.

Financial Summary

	Year ended 31 December				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
RESULTS					
Turnover	18,255	25,556	36,463	18,109	242,459
Loss before taxation	(4,265)	(35,203)	(36,834)	(34,013)	(86,040)
Taxation	–	(1,100)	167	(1,277)	(175)
Net loss for the year	(4,265)	(36,303)	(36,667)	(35,290)	(86,215)

	At 31 December				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	256,459	299,796	319,875	427,860	484,225
Total liabilities	(4,899)	(24,566)	(46,227)	(97,435)	(203,971)
Shareholders' funds	251,560	275,230	273,648	330,425	280,254