



INNOMAXX

INNOMAXX BIOTECHNOLOGY GROUP LIMITED
創富生物科技集團有限公司*

(Incorporated in Bermuda with limited liability)
(stock code: 00340)



Annual Report 2005

*For identification purposes only

CONTENTS

2	Corporate Information
3	Report from the Chief Executive Officer
5	Biographical Details of Directors and Senior Management
7	Corporate Governance Report
11	Directors' Report
16	Auditors' Report
17	Consolidated Income Statement
18	Consolidated Balance Sheet
20	Consolidated Statement of Changes in Equity
21	Consolidated Cash Flow Statement
23	Notes to the Financial Statements
60	Financial Summary

CORPORATE INFORMATION

Directors

Executive Directors

Cai Yuan (*Chairman*)

Luk Kin Peter Joseph

(*Deputy Chairman & Chief Executive Officer*)

Independent Non-Executive Directors

Tang Tin Sek

Lee Kwan Hung

Poon Chiu Kwok

Company Secretary

Pang Kwei Ping

Qualified Accountant

Yu Oi Kee

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 consolidated turnover of HK\$190,838,000 (2004: HK\$242,459,000), representing a decrease of 21% as compared with last year. The Group's gross profit improved to HK\$24,124,000, representing an increase of 24% as compared with last year and the profit margin was 13% (2004: 8%). The Group's loss attributable to shareholders and loss per share for the year was HK\$55,200,000 (2004: HK\$86,215,000) and 2.24 HK cents (2004: 3.92 HK cents) respectively.

Umbilical Cord Blood Storage

Notwithstanding the entrance of competitors in the umbilical cord blood storage service in Hong Kong during the year, the Group is still the market leader in Hong Kong to provide such service. During the year, income from the umbilical cord blood storage service amounted to HK\$15,634,000 (2004: HK\$11,724,000), with a significant increase of 33%.

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 HK\$124,800,000 (2004: HK\$155,800,000) at a professional valuation made by Malcolm & Associates Appraisal Limited, an independent valuer, on 31 December 2005. In the current year, the Group has, for the first time, applied HKAS 40 Investment Property and elected to use the fair value model to account for its investment property which requires decrease in fair value of investment property of HK\$31,000,000 to be charged directly in the income statement for the year.

GITIC Plaza has generated a steady rental income of HK\$8,684,000 (2004: HK\$8,805,000) for the Group for the year ended 31 December 2005.

The Group continued to invest in some listed securities during the year and has realized a profit of HK\$1,064,000 (2004: HK\$2,450,000) for the year ended 31 December 2005.

International Trade

The Group has involved in the trading of pharmaceutical ingredients and chemicals during the year and a turnover of HK\$130,262,000 (2004: 163,730,000) was reported for the year. The change of management has affected the international trading business of the Group during the year, especially on the trading of pharmaceutical ingredients. The Group is restructuring its strategies on the trading business during the current year.

Prospects

In the coming year, the Group will allocate more resources on the umbilical cord blood storage service so as to further improve the quality of our services. The Group has recently streamlined the operation of the umbilical cord blood storage service and redefined its marketing and services strategies with an expectation to make a major step forward in 2006.

Meanwhile, the Group will continue to focus on exploiting and pursuing any investment opportunities which can enhance the Group's performance and returns to shareholders.

REPORT FROM THE CHIEF EXECUTIVE OFFICER (Continued)

Liquidity, Financial Resources, Charges on Assets and Capital Structure

As at 31 December 2005, the Group had total assets and net assets amounted to HK\$297,041,000 (2004: HK\$484,225,000) and HK\$227,427,000 (2004: HK\$280,254,000) respectively. The current ratio was improved at 4.5, as compared to 0.9 as of last year end. The Group had bank balances and cash, pledged deposits and investment in securities amounted to HK\$99,536,000 (2004: HK\$85,605,000), of which all of them were denominated in Hong Kong dollars. The Group had total borrowings of HK\$33,027,000 (2004: HK\$37,276,000) which represented a decrease of 11% over that of last year end. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 14.5% (2004: 13.3%). 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.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As disclosed in the announcement of the Company made on 1 April 2005, Offspring Investments Limited, a wholly-owned subsidiary of the Company, entered into a rescission agreement (the "Rescission Agreement") with China Worldbest Life Industries Company Limited to rescind the conditional agreement to acquire 30% equity interest in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited. The Rescission Agreement has been completed during the year.

There were no material acquisitions or disposals of subsidiaries during the year.

Human Resources

As at 31 December 2005, the Group had 27 and 4 employees in Hong Kong and Mainland China 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, employees and other eligible participants 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

Peter Luk

Deputy Chairman and Chief Executive Officer

Hong Kong, 21 April 2006

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

CAI Yuan

Mr. Cai, aged 41, was appointed as an executive director of the Company on 2 August 2005 and was elected as Chairman of the Board on 28 November 2005. Mr. Cai holds a Master Degree in Philosophy from the University of Xiamen. Mr. Cai has worked in the provincial government of PRC on macro-economic management and also as senior management in some large enterprises in PRC.

Mr. Cai is the director and beneficial owner of Greater Increase Investments Limited, a substantial shareholder of the Company. According to Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong), Mr. Cai is a substantial shareholder of the Company and is beneficially interested in 500,000,000 shares of the Company and 8,650,000 underlying shares in respect of the share options granted by the Company pursuant to its share option scheme.

Mr. Cai is also a director of the subsidiaries of the Company.

LUK Kin Peter Joseph

Mr. Luk, aged 35, was appointed as an executive director of the Company on 2 August 2005. Mr. Luk was also appointed as the Chief Executive Officer of the Company and Deputy Chairman of the Board on 28 November 2005. Mr. Luk holds a Master Degree in Business Administration and the professional qualification of Chartered Financial Analyst. Mr. Luk has worked in several international financial institutions and he is well-experienced in international financial and investment management.

Mr. Luk is the director and beneficial owner of Equity Valley Investments Limited, a substantial shareholder of the Company. According to Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong), Mr. Luk is a substantial shareholder of the Company and is beneficially interested in 226,584,000 shares of the Company and 8,650,000 underlying shares in respect of the share options granted by the Company pursuant to its share option scheme.

Mr. Luk is also a director of the subsidiaries of the Company.

Independent Non-executive Directors

TANG Tin Sek

Dr. Tang, aged 47, was appointed as an independent non-executive director of the Company in May 2000. Dr. 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. Dr. 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 Hong Kong Polytechnic University. Dr. 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., all of them are public listed companies in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-executive Directors (continued)

LEE Kwan Hung

Mr. Lee, aged 40, was appointed as an independent non-executive director of the Company on 31 May 2005. Mr. Lee graduated from the University of Hong Kong in 1988 and obtained a Postgraduate Certificate in Laws in 1989. He was qualified as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. Mr. Lee has been a senior manager of The Stock Exchange of Hong Kong Limited and currently Mr. Lee is a partner of Messrs Woo, Kwan, Lee & Lo. Mr. Lee is also a non-executive director of Mirabell International Holdings Limited and GST Holdings Limited and an independent non-executive director of GZI REIT Asset Management Limited, all of them are public listed companies in Hong Kong.

Mr. Lee has acted as an independent non-executive director of Seapower Resources International Limited and Magician Industries (Holdings) Limited, both of them are public listed companies in Hong Kong, and resigned on 22 September 2004 and 23 April 2005 respectively.

POON Chiu Kwok

Mr. Poon, aged 44, was appointed as an independent non-executive director of the Company on 24 February 2006. Mr. Poon holds a Master Degree in International Accounting, a LLB (honours) and a Bachelor Degree in Business Studies (honours). He is a full member of the Hong Kong Securities Institute, and associate members of the Institute of Chartered Secretaries & Administrators and the Hong Kong Institute of Chartered Secretaries.

Currently Mr. Poon is the Managing Director and Head of Corporate Finance of a securities house. He has been involved in the financial and securities sector for around 20 years and has broad experience in listed companies corporate governance, commercial banking and investment banking. He has led-managed a number of major listings and has played a substantial advisory role in various corporate transactions for companies listed on the Stock Exchange of Hong Kong.

Mr. Poon is also an independent non-executive director of Tsingtao Brewery Company Limited, CATIC Shenzhen Holdings Limited and Huabao International Holdings Limited, which are companies listed on the Main Board of the Stock Exchange of Hong Kong. Mr. Poon has also acted as an independent non-executive director of Shenzhen High-Tech Holdings Limited, a listed company in Hong Kong, and resigned on 4 November 2003.

Senior Management

YU Oi Kee

Miss Yu, aged 33, is the Financial Controller and Qualified Accountant of the Company. Miss Yu joined our Company in September 2003. Miss Yu holds a Master Degree in Business Administration and a Degree of Bachelor of Arts in Accountancy. She is a Certified Public Accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. She worked with an international accounting firm and a listed company and has extensive experience in financial management, taxation and general management.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. For the year ended 31 December 2005, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except for the deviation from the Code Provision A.4.1 as one of the independent non-executive directors was not appointed for a specific term but is subject to retirement by rotation in accordance with the Bye-laws of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2005, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

Board of Directors

Composition

Directors during the year and up to the date of this report are as follows:

Executive Directors:

Cai Yuan, <i>Chairman</i>	(appointed on 2 August 2005)
Luk Kin Peter Joseph, <i>Deputy Chairman and Chief Executive Officer</i>	(appointed on 2 August 2005)
Fu Weimin	(resigned on 24 May 2005)
Zhao Linye	(resigned on 24 May 2005)
Qi Xianchao	(resigned on 24 November 2005)
Zhou Yucheng	(resigned on 25 November 2005)

Independent Non-executive Directors:

Tang Tin Sek	
Lee Kwan Hung	(appointed on 31 May 2005)
Poon Chiu Kwok	(appointed on 24 February 2006)
Julia Frances Charlton-Stevens	(resigned on 28 February 2005)
Wang Yiming	(resigned on 25 November 2005)

There is no relationship between members of the Board.

During the year, Ms. Julia Frances Charlton-Stevens and Ms. Wang Yiming resigned as independent non-executive directors of the Company and members of the audit committee on 28 February 2005 and 25 November 2005 respectively. The casual vacancies were filled on 31 May 2005 and 24 February 2006 respectively. Accordingly for the periods 28 February 2005 to 30 May 2005 and 25 November 2005 to 23 February 2006, the Company had only two independent non-executive directors and therefore could not strictly comply with Rules 3.10(1) and 3.21 of the Listing Rules. During the year ended 31 December 2005, the Board had at all times at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT (Continued)

Board of Directors (continued)

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

During the year, a total of seven full board meetings were held and the attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	3/3	100%
Luk Kin Peter Joseph	3/3	100%
Tang Tin Sek	7/7	100%
Lee Kwan Hung	3/5	60%
Zhou Yucheng	4/5	80%
Fu Weimin	2/2	100%
Qi Xianchao	5/5	100%
Zhao Linye	2/2	100%
Wang Yiming	3/5	60%

Chairman and Chief Executive Officer

Mr. Cai Yuan and Mr. Luk Kin Peter Joseph were appointed as the Chairman and Chief Executive Officer of the Company respectively on 28 November 2005 following the resignation of Mr. Zhou Yucheng and Mr. Qi Xianchao as Chairman and Chief Executive Officer of the Company on 25 November 2005 and 24 November 2005 respectively.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Non-executive Directors

All the independent non-executive directors of the Company were appointed for an initial term of one year, except Dr. Tang Tin Sek. All directors appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

Remuneration of Directors

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Lee Kwan Hung (Chairman of the Committee), *Independent Non-executive Director*
Tang Tin Sek, *Independent Non-executive Director*
Poon Chiu Kwok, *Independent Non-executive Director*
Luk Kin Peter Joseph, *Executive Director*

Remuneration of Directors (continued)

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee met three times during the year to review the remuneration policy and remuneration packages of the executive directors and members of the senior management, approving the service contracts of the executive directors and the share options granted to the executive directors and members of the senior management. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Lee Kwan Hung	3/3	100%
Tang Tin Sek	3/3	100%
Luk Kin Peter Joseph	3/3	100%
Poon Chiu Kwok <i>(Appointed as Committee Member on 28 March 2006)</i>	N/A	N/A

Nomination of Directors

Directors were nominated by members of the Board during the year to fill casual vacancies. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, two executive directors and one independent non-executive director have been nominated and appointed by the Board. All directors appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

Auditors' Remuneration

For the year ended 31 December 2005, the Group engaged Deloitte Touche Tohmatsu, auditors of the Company, to perform audit service only.

Audit Committee

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Tang Tin Sek (Chairman of the Committee), *Independent Non-executive Director*
Lee Kwan Hung, *Independent Non-executive Director*
Poon Chiu Kwok, *Independent Non-executive Director*

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

CORPORATE GOVERNANCE REPORT (Continued)

Audit Committee (continued)

The Audit Committee reviewed the external auditor's plan for the audit of the Group's accounts, the internal control procedures and the financial reporting systems of the Group during the year. The Audit Committee met two times during the year to review and discuss the Group's annual and interim financial statements before the same were presented to the Board for approval. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Tang Tin Sek	2/2	100%
Lee Kwan Hung <i>(Appointed as Committee Member on 31 May 2005)</i>	1/1	100%
Wang Yiming <i>(Resigned as Committee Member on 25 November 2005)</i>	2/2	100%
Poon Chiu Kwok <i>(Appointed as Committee Member on 24 February 2006)</i>	N/A	N/A

The financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee.

Internal Controls

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2005, which covered financial, operational and compliance controls and risk management functions of the Group.

Directors' Responsibility Statement

The directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements.

On behalf of the Board

Peter Luk

Deputy Chairman and Chief Executive Officer

Hong Kong, 21 April 2006

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2005.

Principal Activities

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 17.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 30 to the financial statements.

Contributed Surplus

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

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.

Property, Plant and Equipment

During the year, the Group spent approximately HK\$345,000 in the acquisition of property, plant and equipment which mainly comprised leasehold improvements and furniture, fixtures and equipment. The investment property held by the Group was revalued at 31 December 2005, resulting in a net decrease in fair value of HK\$31,000,000 which has been charged directly to consolidated income statement.

Details of these and other movements of property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 respectively to the consolidated financial statements.

Directors

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

Executive directors:

Cai Yuan (<i>Chairman</i>)	(appointed on 2 August 2005)
Luk Kin Peter Joseph (<i>Chief Executive Officer</i>)	(appointed on 2 August 2005)
Fu Weimin	(resigned on 24 May 2005)
Zhao Linye	(resigned on 24 May 2005)
Qi Xianchao	(resigned on 24 November 2005)
Zhou Yucheng	(resigned on 25 November 2005)

DIRECTORS' REPORT (Continued)

Directors (continued)

Independent non-executive directors:

Tang Tin Sek	
Lee Kwan Hung	(appointed on 31 May 2005)
Poon Chiu Kwok	(appointed on 24 February 2006)
Julia Frances Charlton-Stevens	(resigned on 28 February 2005)
Wang Yiming	(resigned on 25 November 2005)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Messrs. Cai Yuan, Luk Kin Peter Joseph, Lee Kwan Hung and Poon Chiu Kwok, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 2005, 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
Cai Yuan	Beneficial owner	500,000,000	20.29%
Luk Kin Peter Joseph	Beneficial owner	346,584,000	14.06%
Tang Tin Sek	Beneficial owner	300,000	0.01%

Other than as disclosed above, and those disclosed in the paragraph heading "Share Option Schemes", 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 2005.

Arrangements to Purchase Shares or Debentures

Other than as disclosed in "Share Option Schemes" below, at no time during the year was the Company or any of 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.

Discloseable Interests and Short Positions of Shareholders under The SFO

As at 31 December 2005, the register required to be kept under Section 336 of the SFO shows that the following shareholders 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
Greater Increase Investments Limited ("Greater Increase") (Note a)	Corporate interest	500,000,000	20.29%
Equity Valley Investments Limited ("Equity Valley") (Note b)	Corporate interest	346,584,000	14.06%
China Worldbest Group (Hong Kong) Company Limited ("China Worldbest HK") (Note c)	Corporate interest	140,000,000	5.68%
China Worldbest Group Company Limited ("China Worldbest") (Note c)	Interest in controlled corporation	140,000,000	5.68%

Notes:

- (a) Mr. Cai Yuan, a director of the Company, is the ultimate beneficial owner of Greater Increase. Under Part XV of the SFO, Mr. Cai is deemed to have interest in the shares of the Company held by Greater Increase.
- (b) Mr. Luk Kin Peter Joseph, a director of the Company, is the ultimate beneficial owner of Equity Valley. Under Part XV of the SFO, Mr. Luk is deemed to have interest in the shares of the Company held by Equity Valley.
- (c) China Worldbest HK is wholly and 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 2005.

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.

Particulars of each share option scheme are set out in note 32 to the consolidated financial statements. Details of movements in the share options held by directors under the New Share Option Scheme for the year ended 31 December 2005 are as follows:

DIRECTORS' REPORT (Continued)

Share Option Schemes (continued)

New Share Option Scheme

The details of share options granted on 20 December 2005 to the directors of the Company under the New Share Option Scheme which were exercisable from 3 January 2006 to 2 January 2009 are as follows:

<i>Director</i>	Exercise price per share <i>HK\$</i>	Number of share options		
		Outstanding as at 1.1.2005	Granted during the year	Outstanding as at 31.12.2005
Cai Yuen	0.16	–	8,650,000	8,650,000
Luk Kin Peter Joseph	0.16	–	8,650,000	8,650,000

Directors' Interests in Contracts of Significance

No contracts 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.

Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its securities during the year ended 31 December 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 63% of the Group's total sales while the sales attributable to the Group's largest customer were approximately 39% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 73% of the Group's total purchases while the purchases attributable to the Group's largest supplier were approximately 42% 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.

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

The Company has maintained a sufficient public float throughout the year ended 31 December 2005 and as at the date of this report.

Appointment of Independent Non-executive Directors

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

Emolument Policy

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are based on the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 32 to the consolidated financial statements.

Auditors

Except for the financial year ended 31 December 2003, in which Messrs. PricewaterhouseCoopers acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. 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

Cai Yuan

Chairman

Hong Kong, 21 April 2006

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 consolidated financial statements on pages 17 to 58 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 consolidated financial statements which give a true and fair view. In preparing consolidated 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 consolidated 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 Hong Kong Standards on Auditing 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 consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2005 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 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Turnover	7	190,838	242,459
Cost of sales		(166,714)	(223,051)
Gross profit		24,124	19,408
Other income	9	1,591	1,892
Administrative expenses		(42,663)	(41,947)
Decrease in fair value of investment properties		(31,000)	(6,600)
Impairment loss recognised in respect of receivables		(3,866)	–
Impairment loss recognised in respect of goodwill		(2,126)	–
Impairment loss recognised in respect of investments in securities		–	(20,000)
Finance costs	10	(1,919)	(2,373)
Share of results of associates		1,373	(28,065)
Loss on disposal of an associate	18	(1,373)	–
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	18	–	(8,355)
Loss before taxation		(55,859)	(86,040)
Taxation credit (charge)	11	659	(175)
Loss for the year	12	(55,200)	(86,215)
Loss per share – basic	14	(2.24) HK cents	(3.92) HK cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Property, plant and equipment	15	3,399	4,622
Investment properties	16	124,800	155,800
Goodwill	17	15,600	17,726
Interest in associates	18	–	155,660
Available-for-sale investments	19	–	–
Investments in securities	20	–	–
		143,799	333,808
Current assets			
Inventories		375	362
Trade and other receivables	21	53,331	64,450
Investments held for trading	22	2,268	–
Investments in securities	20	–	7,639
Pledged bank deposits	23	5,099	10,342
Pledged deposits in financial institutions	23	8,412	6,208
Bank balances and cash	24	83,757	61,416
		153,242	150,417
Current liabilities			
Trade and other payables	25	7,751	37,282
Deferred income		21,983	12,415
Amount due to a related company	26	–	108,962
Taxation payable		488	90
Secured bank borrowings – amount due within one year	27	4,000	4,000
Obligations under finance leases – due within one year	28	117	249
		34,339	162,998
Net current assets (liabilities)		118,903	(12,581)
Total assets less current liabilities		262,702	321,227

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Non-current liabilities			
Secured bank borrowings – amount due after one year	27	28,910	32,910
Obligations under finance leases – due after one year	28	–	117
Deferred taxation	29	6,365	7,946
		35,275	40,973
Net assets			
		227,427	280,254
Capital and reserves			
Share capital	30	246,481	246,481
Reserves		(19,054)	33,773
Total equity attributable to equity holders of the parent			
		227,427	280,254

The consolidated financial statements on pages 17 to 58 were approved and authorised for issue by the Board of Directors on 21 April 2006 and are signed on its behalf by:

Cai Yuan
Director

Peter Luk
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Attributable to equity holders of the parent

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2004	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
Loss for the year and total recognised loss	–	–	–	–	(86,215)	(86,215)
At 1 January 2005	246,481	177,179	152,150	–	(295,556)	280,254
Recognition of equity-settled share based payments	–	–	–	2,373	–	2,373
Loss for the year and total recognised loss	–	–	–	–	(55,200)	(55,200)
At 31 December 2005	246,481	177,179	152,150	2,373	(350,756)	227,427

The contributed surplus represents the special reserve arising upon the Group reorganisation in March 1997.

The accumulated losses of the Group included approximately HK\$37,666,000 (2004: HK\$29,311,000) retained by associates of the Group.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 HK\$'000	2004 HK\$'000
Operating activities		
Loss before taxation	(55,859)	(86,040)
Adjustments for:		
Decrease in fair value of investment properties	31,000	6,600
Dividend income	(150)	(21)
Interest expense	1,919	2,373
Interest income on bank deposits	(1,282)	(137)
Amortisation of goodwill	–	2,914
Depreciation of property, plant and equipment	1,568	1,600
Loss on disposal of an associate	1,373	–
Loss on disposal of property, plant and equipment	–	57
Impairment loss recognised in respect of receivables	3,866	–
Impairment loss recognised in respect of goodwill	2,126	–
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
Recognition of share-based payments	2,373	–
Share of results of associates	(1,373)	28,065
Operating cash outflows before movements in working capital	(14,439)	(16,234)
Increase in inventories	(13)	(48)
Decrease in trade and other receivables	7,253	13,912
Decrease (increase) in investments held for trading/investments in securities	5,371	(7,455)
(Decrease) increase in trade and other payables	(29,531)	31,743
Increase in deferred income	9,568	6,433
Cash (used in) generated from operations	(21,791)	28,351
Mainland China (the "PRC") Enterprise income tax paid	(524)	(456)
Net cash (used in) generated from operating activities	(22,315)	27,895
Investing activities		
Dividend income	150	21
Interest on bank deposits received	1,282	137
Purchase of property, plant and equipment	(345)	(976)
Acquisition of an associate	–	(46,698)
Proceeds from disposal of an associate	46,698	–
Decrease (increase) in pledged bank deposits	5,243	(9,112)
Increase in pledged deposits in financial institutions	(2,204)	(6,208)
Proceeds from disposal of property, plant and equipment	–	227
Net cash generated from (used in) investing activities	50,824	(62,609)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	HK\$'000	HK\$'000
Financing activities		
Interest paid	(1,919)	(2,373)
Net proceeds from issue of new shares	-	44
Repayment of bank borrowings	(4,000)	(4,000)
Repayment of obligation under finance leases	(249)	(321)
Net cash used in financing activities	(6,168)	(6,650)
Net increase (decrease) in cash and cash equivalents	22,341	(41,364)
Cash and cash equivalents at 1 January	61,416	102,780
Cash and cash equivalents at 31 December	83,757	61,416
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	83,757	61,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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 address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the subsidiaries are set out in note 37.

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$11,413,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 Share-based Payment, which requires an expense to be recognised when the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Group, determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group elected not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. As there were no such unvested options outstanding on 1 January 2005, no prior year adjustments required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies (continued)

Share-based payments (continued)

For the year ended 31 December 2005, impact of share-based payment is a charge to income statement of HK\$2,373,000 for share options granted during the year, with a corresponding amount adjusted to share options reserve (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of the financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities

By 31 December 2004, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group reclassified its “non-trading securities” to “available-for-sale investments” and reclassified its “trading securities” to “investments held for trading” in accordance with the transitional provisions of HKAS 39 (see note 3 for financial impact).

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies (continued)

Financial instruments (continued)

Convertible bond

The principal impact of HKAS 32 on the Group is in relation to convertible bond issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the consolidated balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. There is no significant impact on the Group's financial position and operating results for current or prior accounting period.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Prior to the application of HKAS 39, the receivables were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such receivables are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, an impairment loss of HK\$3,866,000 was made to the Group's receivables during the year which was determined based on future cash flows of the receivables discounted at the original effective interest rate (see note 3 for financial impact). As the receivables on 1 January 2005 was approximately equal to their amortised cost, there is no significant impact on the Group's financial position and operating results on 1 January 2005.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The carrying values of the investment properties are lower than their cost. As a result, there is no significant effect on the accumulated losses of the Group on 1 January 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

3. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005 HK\$'000	2004 HK\$'000
Non-amortisation of goodwill	2,914	–
Expenses in relation to share options granted to employees	(2,373)	–
Impairment on receivables	(3,866)	–
Increase in loss for the year	(3,325)	–

Analysis of increase in loss for the year by line items presented according to their function:

	2005 HK\$'000	2004 HK\$'000
Increase in impairment loss recognised in respect of receivables	(3,866)	–
Decrease in administrative expenses	541	–
Increase in loss for the year	(3,325)	–

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 HK\$'000	Opening adjustments HK\$'000	1.1.2005 HK\$'000 (restated)
Balance sheet items			
Investments in securities	7,639	(7,639)	–
Investments held for trading	–	7,639	7,639
	7,639	–	7,639

There is no financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004.

3. Summary of the Effects of the Changes in Accounting Policies (continued)

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005. The Group has commenced considering the potential impact of these standards, interpretations and amendments. The directors anticipate the application of these standards, interpretations and amendments will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment ³
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

4. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries or associates at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries or associates at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on acquisition of associates is included in the cost of the investment of the relevant associates, and is tested for impairment by comparing the carrying amount of the investment with the recoverable amount, wherever there is any indication that the investment may be impaired.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries or associates, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

4. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Leasehold improvements	15% - 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Interest in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the consolidated balance sheet, investments 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.

Inventories

Inventories, which represent consumables, are stated at cost. Cost is calculated using the first-in, first-out method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

4. Significant Accounting Policies (continued)

Impairment (other than goodwill)

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. 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 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

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 consolidated 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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

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.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

4. Significant Accounting Policies (continued)

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

The Group's financial assets mainly comprise the loans and receivables, available-for-sale investments and investments held for trading. The accounting policies adopted in respect of each category of financial assets are set out below.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

FINANCIAL ASSETS (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables) and bank deposits and balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Investments held for trading

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

4. Significant Accounting Policies (continued)

Financial instruments (continued)

FINANCIAL LIABILITIES AND EQUITY (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company, obligation under finance leases and bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Retirement benefits costs

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

5. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimations that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. Key Sources of Estimation Uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2005 was HK\$15,600,000 arising from acquisition of subsidiaries. Details of the recoverable amount calculations of goodwill arising from acquisitions of subsidiaries are disclosed in note 17. Changes in estimation of the value in use would materially affect the amounts of impairment loss recognised in respect of goodwill in the consolidated income statement and the balance of goodwill in the consolidated balance sheet.

Impairment of trade receivables

Note 4 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

Management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's majority of working capital is devoted to trade receivables. In determining whether impairment on trade receivable is occurred, the Group takes into consideration the ageing status and the likelihood of collection. An impairment loss on trade receivables is recognised when they are unlikely to be collected. The measurement of impairment loss requires the Group to estimate the future cash flows expected to be collected. Adjustments will be made in future periods if the estimated future cash flows changes. Changes in the estimation would materially affect the impairment of trade receivables recognised in the consolidated income statement and balance of trade receivables in the consolidated balance sheet.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include pledged bank deposits, pledged deposits in financial institutions, bank balances and cash, trade and other receivables, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

6. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Except for disclosures in note 21, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings (see note 27). The Group currently does not have interest cash flow hedging policy. However, management monitors the related interest cash flow exposure closely and will consider hedging significant interest cash flow exposure should the need arises.

7. Turnover

	2005 HK\$'000	2004 HK\$'000
Turnover represents the net amounts received and receivable for:		
Trading of pharmaceutical ingredients and chemicals	130,262	163,730
Sales of investments held for trading/ investments in securities	36,108	58,179
Processing, storage and enrolment fees	15,634	11,724
Rental income	8,684	8,805
Dividend income	150	21
	190,838	242,459

8. Business and Geographical Segments

Business segments

The Group is currently engaged in property investment, processing and storage of cord blood, trading of investments and trading of pharmaceutical ingredients and chemicals. 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.

8. Business and Geographical Segments (continued)

Business segments (continued)

Segment information about these businesses for the year ended 31 December 2005 is set out as follows:

For the year ended 31 December 2005

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of investments HK\$'000	Trading of pharmaceutical ingredients and chemicals HK\$'000	Total HK\$'000
Turnover	8,684	15,634	36,258	130,262	190,838
Results	(29,934)	(95)	1,101	(381)	(29,309)
Finance costs					(1,919)
Share of results of associates					1,373
Loss on disposal of an associate					(1,373)
Unallocated corporate expenses					(24,631)
Loss before taxation					(55,859)
Taxation					659
Loss for the year					(55,200)

At 31 December 2005

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of investments HK\$'000	Trading of pharmaceutical ingredients and chemicals HK\$'000	Total HK\$'000
Segment assets	153,385	25,675	3,334	-	182,394
Unallocated corporate assets					114,647
Total assets					297,041
Segment liabilities	3,069	23,280	-	-	26,349
Unallocated corporate liabilities					43,265
Total liabilities					69,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

8. Business and Geographical Segments (continued)

Business segments (continued)

For the year ended 31 December 2005

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of Investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
OTHER INFORMATION					
Capital additions	5	328	-	12	345
Depreciation	137	509	-	922	1,568
Decrease in fair value of investment properties	31,000	-	-	-	31,000
Impairment loss recognised in respect of receivable	3,866	-	-	-	-
Impairment loss recognised in respect of goodwill	-	2,126	-	-	2,126

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

For the year ended 31 December 2004

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of investments HK\$'000	Trading of pharmaceutical ingredients and chemicals HK\$'000	Total HK\$'000
Turnover	8,805	11,724	58,200	163,730	242,459
Results	(1,714)	973	(17,105)	320	(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)
Loss for the year					(86,215)

8. Business and Geographical Segments (continued)

Business segments (continued)

At 31 December 2004

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of investments HK\$'000	Trading of pharmaceutical ingredients and chemicals HK\$'000	Total HK\$'000
Segment assets	187,947	24,006	7,639	26,004	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

For the year ended 31 December 2004

	Property investment HK\$'000	Processing and storage of cord blood HK\$'000	Trading of Investments 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
Decrease in fair value of investment properties	6,600	–	–	–	6,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

8. Business and Geographical Segments (continued)

Geographical segments

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 HK\$'000	Segment assets HK\$'000	Capital additions HK\$'000
2005			
Hong Kong	106,593	143,656	5
The PRC	8,684	153,385	340
New Zealand	75,561	-	-
	190,838	297,041	345
2004			
Hong Kong	211,223	118,187	976
The PRC	8,805	343,607	-
New Zealand	22,431	22,431	-
	242,459	484,225	976

9. Other Income

Other income for the year includes the following:

	2005 HK\$'000	2004 HK\$'000
Bad debt recovery	139	-
Exchange gain	-	48
Interest income on bank deposits	1,282	137
Sundries	170	1,215
Unrealised holding gain of investments in securities	-	492
	1,591	1,892

10. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	(1,899)	(1,278)
Finance leases	(20)	(37)
Convertible bond	-	(1,058)
	(1,919)	(2,373)

11. Taxation credit (charge)

	2005 HK\$'000	2004 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax	–	(56)
PRC Enterprise Income Tax	(922)	(455)
Current tax	(922)	(511)
Deferred taxation (<i>Note 29</i>)	1,581	336
	659	(175)

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 consolidated financial statements as the Group had no assessable profit for the year.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate prevailing in the relevant jurisdictions 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:

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	(55,859)	(86,040)
Tax at the income tax rate of 17.5%	9,775	15,057
Tax effect of shares of results of associates	240	(4,911)
Tax effect of income that is not taxable in determining taxable profit	267	356
Tax effect of expenses that are not deductible in determining taxable profit	(2,304)	(6,612)
Tax effect of tax losses not recognised	(3,917)	(3,478)
Utilisation of tax losses previously not recognised	493	75
Effect of different taxation rate used in other jurisdictions	(4,042)	(558)
Others	147	(104)
Taxation credit (charge) for the year	659	(175)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

12. Loss for the year

	2005 HK\$'000	2004 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (<i>Note 13</i>)	6,364	6,801
Other staff costs	8,584	9,891
Other staff retirement benefit scheme contributions	325	220
Share option benefits expenses, excluding directors	697	–
Total staff costs	15,970	16,912
Auditors' remuneration	750	1,215
Amortisation of goodwill (included in administrative expenses)	–	2,914
Depreciation of property, plant and equipment		
– owned by the Group	1,138	1,170
– held under finance leases	430	430
Decrease in changes in fair values of investments held for trading	34	–
Exchange loss	59	–
Loss on disposal of property, plant and equipment	–	57
Operating lease rentals in respects of rented premises	2,750	3,057
Share of tax of associates (included in share of results of associates)	106	–
and after crediting:		
Gross rental income from investment properties	8,684	8,805
Less: Direct operating expenses from investment properties that generated rental income during the year	(3,305)	(3,344)
Interest income	5,379	5,461
Net gain from disposal of investments held for trading/trading securities	1,282	137
Unrealised holding gain of investments in securities	1,064	2,450
	–	492

13. Directors' and Five Highest paid Employees' Emoluments

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the 11 (2004: 10) directors were as follows:

Name of director	2005				Total HK\$'000
	Fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Share option benefits expenses HK\$'000	
Cai Yuan	-	-	-	838	838
Luk Kin Peter Joseph	-	540	25	838	1,403
Fu Weimin	-	237	-	-	237
Zhao Linye	-	237	5	-	242
Qi Xianchao	-	1,423	49	-	1,472
Zhou Yucheng	-	1,620	-	-	1,620
Tang Tin Sek	211	-	-	-	211
Lee Kwan Hung	129	-	-	-	129
Poon Chiu Kwok	-	-	-	-	-
Julia Frances Charlton-Stevens	32	-	-	-	32
Wang Yiming	180	-	-	-	180
	552	4,057	79	1,676	6,364

Name of director	2004				Total HK\$'000
	Fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000		
Zhou Yucheng	150	1,950	-		2,100
Fu Weimin	150	650	-		800
Qi Xianchao	150	1,184	12		1,346
Zhao Linye	32	178	-		210
Julia Frances Charlton-Stevens	52	-	-		52
Tong Nai Kan	55	1,628	5		1,688
Leung Wai Kwan	68	131	6		205
Tang Tin Sek	200	-	-		200
Wang Yiming	200	-	-		200
Chan lu Nam John Bosco	-	-	-		-
	1,057	5,721	23		6,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

13. Directors' and Five Highest paid Employees' Emoluments (continued)

(ii) Employees

Details of remuneration paid by the Group to the five highest paid individuals included three (2004: four) directors, and the remaining two (2004: one) employees for the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	1,261	611
Retirement benefit scheme contributions	38	12
Share option benefits expenses	291	–
	1,590	623

Remuneration of each of the employees for both years falls within the band of less than HK\$1,000,000.

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remunerations during the year.

14. Loss per share

The calculation of the loss per share is based on the loss for the year of approximately HK\$55,200,000 (2004: HK\$86,215,000) and on 2,464,812,853 (2004: the weighted average number of 2,199,224,328) shares in issue during the year.

The effect of share options is excluded from the calculation of the diluted loss per share for both years since their exercise would result in a decrease in the loss per share.

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

The following table summarises the impact on loss per share as a result of changes in accounting policies:

	2005 HK cents	2004 HK cents
Figures before adjustments	(2.11)	(3.92)
Adjustments arising from changes in accounting policies (see note 3)	(0.13)	–
Reported	(2.24)	(3.92)

15. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
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
Additions	–	345	–	345
At 31 December 2005	1,339	5,173	2,711	9,223
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
Provided for the year	325	739	504	1,568
At 31 December 2005	741	2,893	2,190	5,824
CARRYING VALUES				
At 31 December 2005	598	2,280	521	3,399
At 31 December 2004	923	2,674	1,025	4,622

The net book value of motor vehicles includes an amount of approximately HK\$509,000 (2004: HK\$939,000) in respect of assets under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

16. Investment Properties

	HK\$'000
<hr/>	
FAIR VALUE	
At 1 January 2004	162,400
Decrease in fair value recognised in the consolidated income statement	(6,600)
<hr/>	
At 31 December 2004	155,800
Decrease in fair value recognised in the consolidated income statement	(31,000)
<hr/>	
At 31 December 2005	124,800
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The fair value of the Group's investment properties held under medium term leases in the PRC have been arrived at on the basis of a valuation carried out on that date by Malcolm & Associates Appraisal Limited, independent qualified firm of professional valuers not connected with the Group. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Majority of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model.

The Group has pledged all of its investment properties to secure general banking facilities granted to the Group.

17. Goodwill

	HK\$'000
<hr/>	
GROSS VALUE	
At 1 January 2004 and 31 December 2004	29,139
Elimination of accumulated amortisation upon the application of HKFRS 3 (see note 3)	(11,413)
<hr/>	
At 1 January 2005 and 31 December 2005	17,726
AMORTISATION	
At 1 January 2004	8,499
Charge for the year	2,914
<hr/>	
At 31 December 2004	11,413
Elimination of accumulated amortisation upon the application of HKFRS 3	(11,413)
<hr/>	
At 1 January 2005 and 31 December 2005	–
<hr/>	
IMPAIRMENT LOSS RECOGNISED FOR THE YEAR AND AT 31 DECEMBER 2005	(2,126)
<hr/>	
CARRYING VALUES	
At 31 December 2005	15,600
<hr/>	
At 31 December 2004	17,726
<hr/>	

17. Goodwill (continued)

Until 31 December 2004, goodwill arising on acquisition of subsidiaries had been amortised over the estimated useful life of 10 years.

For the purpose of impairment review, goodwill set out above is allocated to the processing and storage of cord blood cash generating unit ("CGU"). The carrying amount of goodwill allocated to the CGUs as at 31 December 2005 is HK\$15,600,000.

The recoverable amounts of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using a risk-free rate, the market return and company-specific factors. The growth rates are based on the estimation on the historical annual growth rates of the CGU and the comparable companies industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill with reference to the valuation carried out by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. The valuation is based on cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the following four years based on an estimated growth rate of 20% to 25% plus a terminal value. The rate used to discount the forecast cash flow is 10.66%. Due to the fact that there are new competitors entered into the market this year, the value in use calculated by using the discount rate is lower than the carrying amount of the CGU and accordingly, an impairment loss of HK\$2,126,000 was considered necessary.

18. Interest in Associates

	2005 HK\$'000	2004 HK\$'000
Costs of investments in associates - unlisted	40,285	195,945
Share of post-acquisition profits	(40,285)	(31,930)
	-	164,015
Less: Impairment losses recognised	-	(8,355)
	-	155,660

Included in the costs of investments in associates in 2004 was goodwill of HK\$24,488,000 arising on acquisition of an associate. The movement of goodwill is set out below:

	Goodwill HK\$'000
CARRYING VALUES	
Arising on acquisition of an associate and balance at 31 December 2004	24,488
Elimination upon the disposal	(24,488)
At 31 December 2005	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

18. Interest in Associates (continued)

Particulars of the principal associates at 31 December 2005 were as follows:

Name	Place of incorporation/ establishment/ operation	Percentage of attributable equity interest		Principal activities
		2005	2004	
Happy Bright Holdings Limited ("Happy Bright")	Hong Kong	20%	20%	Investment holding
Guangzhou Huakang Dikong Development Company Limited ("GHDDCL")	PRC	17%*	17%*	Property development and investments

* Happy Bright held 85% equity interest in GHDDCL

In 2004, the Group entered into a conditional agreement with China Worldbest Life Industries Company Limited ("CWGC Life"), a subsidiary of China Worldbest Group Company Limited, a former shareholder of the Company, to acquire 30% equity interests in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful") at total consideration of HK\$155,660,000 (equivalent to RMB165,000,000) (the "Agreement"). The Group had paid the first instalment in amount of approximately HK\$46,698,000 (equivalent to approximately RMB49,500,000) to CWGC Life in 2004, but failed to pay the second and third instalments upon the due date. On 1 April 2005 (the "Disposal Date"), the Group entered into a rescission agreement (the "Rescission Agreement") with CWGC Life to rescind the Agreement and transferred the 30% equity interest in SW Treeful back to CWGC Life on the condition that CWGC Life returned the first instalment to the Group.

On 13 July 2005, Shanghai Foreign Investment Commission approved the Rescission Agreement and the reinstatement of the status of SW Treeful into a PRC domestic company was registered at the Shanghai Administration of Industry and Commerce on 4 November 2005.

Since its acquisition and up to 31 December 2004, the Group shared profit from SW Treeful of HK\$8,355,000 and recognised an impairment loss of HK\$8,355,000 in respect of the goodwill arising on the acquisition, resulted in a balance of interest in SW Treeful of HK\$155,660,000 at 31 December 2004.

During the year end 31 December 2005, the directors estimated the Group's share of profits from SW Treeful in current year up to the Disposal Date of HK\$1,373,000, based on the unaudited management accounts of SW Treeful, and recognised a loss on disposal with same amount in the consolidated income statement. There were no audited financial information of SW Treeful available. However, any increase or decrease in the results of the associate would result in increase or decrease in the loss on disposal of the associate correspondingly and would have had no effect on the loss for the year then ended.

19. Available-for-Sale Investments

Available-for-sale investments as at 31 December 2005 comprise:

	2005 HK\$'000
Unlisted equity securities, at cost	30,000
Less: Impairment loss recognised	(30,000)
	—

The available-for-sale investments at 31 December 2005 represent 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 engaged in the provision of research and development, production and sales of Chinese medical health food and Chinese medical pharmaceutical products. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. Investments in Securities

Investments in securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see *note 3 for details*).

	Trading securities HK\$'000	Other securities HK\$'000
Equity securities:		
Listed in Hong Kong	7,639	—
Unlisted	—	30,000
Less: Impairment loss recognised	—	(30,000)
	7,639	—
Market value of listed securities	7,639	—
Carrying amount analysed for reporting purposes as:		
Current	7,639	—
Non-current	—	—
	7,639	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

20. Investments in Securities (continued)

The unlisted securities at 31 December 2004 represented the Group's 10% shareholding in UBC as mentioned in note 19 above.

21. Trade and Other Receivables

	2005	2004
	HK\$'000	HK\$'000
Trade debtors	35,360	61,269
Other debtors	2,079	1,191
Deposits and prepayments	15,892	1,990
	53,331	64,450

At the balance sheet date, trade debtors include an amount of receivable from Guangdong International Building Enterprises Company Limited ("GIBE"), a former fellow subsidiary company, amounting to approximately HK\$27,809,000 (2004: HK\$31,608,000). As at 31 December 2005, the carrying amount (after an impairment loss of HK\$3,866,000) was determined based on the present value of the estimated future cash inflows discounted using the prevailing market rate at the balance sheet. The effective interest rate of the receivable is 6.98% per annum. 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.

The directors have been advised by the liquidators that the transaction would be completed and the proceeds from the disposal would be used to fully repay the outstanding amount owed to the Group when the potential purchaser completed the sale. The liquidators had also been approached by a number of other potential purchasers currently who were interested in acquiring GIBE. Against this background, the directors are of the opinion that this receivable will be fully recoverable.

Included in the deposits and prepayments at 31 December 2005 is a prepayment amounting to HK\$13,850,000 made to a supplier for purchase of goods.

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.

21. Trade and Other Receivables (continued)

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

	2005 HK\$'000	2004 HK\$'000
0 to 30 days	3,033	5,051
31 to 60 days	962	23,217
61 to 90 days	817	625
Over 90 days	2,739	768
	7,551	29,661

The fair value of the Group's trade and other receivables at 31 December 2005 approximated to the corresponding carrying amount.

22. Investments Held for Trading

Investments held for trading as at 31 December 2005 represented equity securities listed in Hong Kong and are carried at fair value with reference to the quoted market bid prices available on the relevant exchanges.

23. Pledged Bank Deposits and Pledged Deposits in Financial Institutions

The amounts represent deposits pledged to banks amounting to HK\$5,099,000 (2004: HK\$10,342,000) and deposits pledged to financial institutions amounting to HK\$8,412,000 (2004: HK\$6,208,000) to secure bank borrowings and credit facilities granted to the Group.

The pledged bank deposits and the pledged deposits in financial institutions carrying fixed interest rate at a range from 0.1% to 3.9% (2004: 0.1% to 2.1%) per annum. The fair value of pledged bank deposits approximated to the corresponding carrying amounts.

24. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at interest rate in a range from 1% to 4% per annum. The directors consider that the carrying amount of these assets approximate their fair value.

25. Trade and Other Payables

	2005 HK\$'000	2004 HK\$'000
Trade payables	980	25,910
Other payables	31	156
Accrued charges	6,740	11,216
	7,751	37,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

25. Trade and Other Payables (continued)

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

	2005 HK\$'000	2004 HK\$'000
0 to 30 days	940	25,909
31 to 60 days	16	–
Over 60 days	24	1
	980	25,910

The fair value of the Group's trade and other payables at 31 December 2005 approximated to the corresponding carrying amount.

26. Amount Due to a Related Company

The amount was due to CWGC Life. The amount was unsecured and interest-free. The amount was derecognised upon the completion of a rescission agreement as set out in note 18.

27. Secured Bank Borrowings

	2005 HK\$'000	2004 HK\$'000
The carrying amounts of secured bank borrowings repayable:		
Within one year	4,000	4,000
Between one to two years	4,200	4,000
Between two to five years	14,400	13,800
After five years	10,310	15,110
	32,910	36,910
Less: Amount due within one year shown under current liabilities	(4,000)	(4,000)
Amount due after one year	28,910	32,910

The bank borrowings are denominated in Hong Kong dollars and carry interest rate at HIBOR plus 2.65% per annum for both years.

The fair value of the Group's bank borrowings as at 31 December 2005 approximated to the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

28. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases:				
Within one year	120	269	117	249
More than one year but not more than two years	-	120	-	117
	120	389	117	366
Less: Future finance charges	(3)	(23)	-	-
Present value of lease obligations	117	366	117	366
Less: Amount due within one year			(117)	(249)
Amount due after one year			-	117

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 2005, the average effective borrowing rate was 2.4% (2004: 2.4%) per annum.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated cash flows discounted using the prevailing market rate at the balance sheet date approximate to their carrying amount.

29. 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 HK\$'000
At 1 January 2004	8,282
Credit to consolidated income statement for the year	(336)
At 1 January 2005	7,946
Credit to consolidated income statement for the year	(1,581)
At 31 December 2005	6,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

29. Deferred Taxation (continued)

At the balance sheet date, the Group has unused tax losses of approximately HK\$110,019,000 (2004: HK\$91,456,000) available for offset against future profits. The tax losses may be carried forward indefinitely. 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.

30. Share Capital

	Number of ordinary shares of HK\$0.1 each		Amount	
	2005	2004	2005 HK\$'000	2004 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	2,464,812,853	2,104,512,853	246,481	210,451
Issue of new shares on exercise of share options	-	300,000	-	30
Issue of new shares on conversion of convertible bond (note 31)	-	360,000,000	-	36,000
At 31 December	2,464,812,853	2,464,812,853	246,481	246,481

31. Convertible Bond

On 9 December 2003, the Company issued a convertible bond of HK\$36 million at par to 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. The effective interest rate of the bond is 4.5% per annum.

32. 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.

32. 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	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2004	Number of Share Options Exercised during the year	Outstanding at 1.1.2005	Lapsed during the year	Outstanding at 31.12.2005
Ex-director	29 August 2001	1 March 2002 to 28 February 2005	0.145	17,500,000	-	17,500,000	17,500,000	-
Employee	29 August 2001	1 March 2002 to 28 February 2005	0.145	300,000	300,000	-	-	-
				17,800,000	300,000	17,500,000	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.

In respect of the above share options exercised in 2004, the weighted average share price at the date of exercise is HK\$0.480.

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).

(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	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2004	Number of Share Options Cancelled during the year	Outstanding as at 1.1.2005	Granted during the year	Outstanding as at 31.12.2005
Ex-director	3 January 2003	3 January 2003 to 2 January 2008	0.100	9,966,000	9,966,000	-	-	-
Directors	20 December 2005	3 January 2006 to 2 January 2009	0.160	-	-	-	17,300,000	17,300,000
Employees	20 December 2005	3 January 2006 to 2 January 2009	0.160	-	-	-	7,188,000	7,188,000
				9,966,000	9,966,000	-	24,488,000	24,488,000

The HK\$0.160 exercise price per share represented the closing price of the Company's shares quoted on the Stock Exchange on the date of grant of the options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

32. Share Options (continued)

(b) New Share Option Scheme (continued)

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;
- 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.

During the year ended 31 December 2005, options were granted on 20 December 2005. The estimated fair value of the options granted was HK\$0.097. 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.

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 Share-based Payment to account for equity-settled share-based payment transactions. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, an amount of share option expense of HK\$2,373,000 has been recognised in the income statement, with a corresponding adjustment made in the Group's share options reserve.

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model, taken into account the terms and conditions upon which the share options were granted.

32. Share Options (continued)

(b) New Share Option Scheme (continued)

The following assumptions were used to calculate the fair value of share options granted during the year.

	20.12.2005
Weighted average share price	HK\$0.160
Exercise price	HK\$0.160
Expected life of options	3 years
Expected volatility	93%
Expected dividend yield	0%
Risk free rate	4%
Estimated fair value of option on grant date	HK\$0.097
Closing share price on grant date	HK\$0.160

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over last three years immediately preceding the grant date.
- (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

33. 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:

	2005 HK\$'000	2004 HK\$'000
Within one year	2,250	2,686
In the second to fifth years inclusive	1,221	3,145
	3,471	5,831

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

The Group as lessor

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

	2005 HK\$'000	2004 HK\$'000
Within one year	8,151	8,220
In the second to fifth years inclusive	23,016	19,058
After five years	47,910	46,595
	79,077	73,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

34. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund for all the qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

35. 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	2005 HK\$'000	2004 HK\$'000
Investments held for trading	–	7,639
Investment properties	124,800	155,800
Bank deposits	5,099	10,342
Deposits in financial institutions	8,412	6,208
Trade receivables	28,299	31,725

In addition, the Group has also assigned, at the balance sheet date, 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.

At the balance sheet date, 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.

36. Related Party Transactions

The Group has entered into following related party transactions:

	2005 HK\$'000	2004 HK\$'000
Convertible bond interest paid to China Worldbest HK	–	1,058
Sales of goods to SW Treeful	945	–

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Company's directors are also the key management of the Group. Details of their remuneration paid during the year are set out in note 13.

In addition, at the balance sheet date, 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.

37. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2005 were 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
INNOMAXX International Trading Company 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
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
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

	Year Ended 31 December				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
RESULTS					
Turnover	25,556	36,463	18,109	242,459	190,838
Loss before taxation	(35,203)	(36,834)	(34,013)	(86,040)	(55,859)
Taxation	(1,100)	167	(1,277)	(175)	659
Net loss for the year	(36,303)	(36,667)	(35,290)	(86,215)	(55,200)

	At 31 December				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	299,796	319,875	427,860	484,225	297,041
Total liabilities	(24,566)	(46,227)	(97,435)	(203,971)	(69,614)
Equity attributable to equity holders of the parent	275,230	273,648	330,425	280,254	227,427