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CK Life Sciences Int'l., (Holdings) Inc.

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

MAJOR TRANSACTION

in respect of

the acquisition of the entire issued share capital of and shareholder's loan in

Envirogreen Pty Limited

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the website of the Company at www.ck-lifesciences.com.

29 July 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

In this circular, the following expressions have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the entire issued share capital of the Target Co and the shareholder's loan from the Vendor to the Target Co
"AG"	Développement Santé Naturelle A.G. Ltée, a corporation incorporated under the laws of Canada
"AG Group"	AG and its subsidiaries
"Agreement"	the share purchase agreement dated 4 June 2005 entered into between Ecofertiliser Pty Ltd as purchaser, the Covenantors and the Vendor in relation to the sale and purchase of the entire issued share capital of the Target Co and the shareholder's loan from the Vendor to the Target Co
"associates"	shall have the same meaning ascribed to it by the GEM Listing Rules
"Board"	the board of Directors
"CKH"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Company"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
"Completion"	three business days after all the conditions in the Agreement are fulfilled or waived (as the case may be)
"Covenantors"	Brambles Australia Limited and CSR Investments Pty Limited, which are companies incorporated in Australia and are shareholders of the Vendor
"Directors"	the directors of the Company
"GAAP"	generally accepted accounting principles
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Gold Rainbow"	Gold Rainbow Int'l Limited, an investment holding company incorporated in the British Virgin Islands
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	25 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Model Code"	Model Code on Securities Transactions by Directors adopted by the Company
"PRC"	The People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)" or "Member(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tangiers"	Tangiers Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
"Target Co"	Envirogreen Pty Limited, a corporation incorporated under the laws of Australia
"Triluck"	Triluck Assets Limited, a company incorporated in the British Virgin Islands with limited liability
"Trueway"	Trueway International Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendor"	Enviroguard Pty Limited
"AU$" or "A$"	the lawful currency of Australia
"CAD$"	the lawful currency of Canada
"HK$"	the lawful currency of Hong Kong
"RMB"	the lawful currency of the PRC
"US$"	the lawful currency of the United States of America

For the purpose of illustration only, A$ to HK$ is translated at the rate of A$1.00 = HK$5.9357 and CAD$ to HK$ is translated at the rate of CAD$1.00 = HK$6.4175 throughout this circular.

CK Life Sciences Int'l., (Holdings) Inc.
長江生命科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8222)

Board of Directors
Executive Directors
LI Tzar Kuoi, Victor *Chairman*
KAM Hing Lam *President and Chief Executive Officer*
IP Tak Chuen, Edmond *Senior Vice President and Chief Investment Officer*
YU Ying Choi, Alan Abel *Vice President and Chief Operating Officer*
PANG Shiu Fun *Vice President and Chief Technology Officer*
CHU Kee Hung *Vice President and Chief Production Officer*
LAM Hing Chau, Leon *Vice President and Chief Financial Officer*

Non-executive Directors
Peter Peace TULLOCH *Non-executive Director*
WONG Yue-chim, Richard *Independent Non-executive Director*
KWOK Eva Lee *Independent Non-executive Director*
Colin Stevens RUSSEL *Independent Non-executive Director*

Company Secretary
Eirene YEUNG

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Cayman Islands

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Tai Po Industrial Estate
Tai Po
Hong Kong

Principal Place of Business
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

29 July 2005

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
in respect of
the acquisition of the entire issued share capital of and shareholder's loan in Envirogreen Pty Limited

INTRODUCTION

The Directors refer to the announcement of the Company dated 6 June 2005 in relation to the Agreement entered into by Ecofertiliser Pty Ltd, an indirect wholly-owned subsidiary of the Company, as purchaser, with the Covenantors and the Vendor to acquire the entire issued share capital of the Target Co and the shareholder's loan from the Vendor to the Target Co as at Completion at a total consideration (subject to adjustment) of A$18,300,000 (approximately HK$108,623,000) in cash. The purpose of this circular is to give you further information in relation to the Acquisition.

THE AGREEMENT

Date: 4 June 2005

Parties: (i) Ecofertiliser Pty Ltd, an indirect wholly-owned subsidiary of the Company, as purchaser

(ii) the Covenantors and the Vendor who are and whose ultimate beneficial owners are independent third parties which are not connected persons of the Company (as defined in the GEM Listing Rules)

The principal activity of the Vendor is community waste management.

CSR Investments Pty Limited, being one of the Covenantors, holds investments in a group of companies, whose principal business activities cover building products, sugar, aluminium and property, primarily in Australia.

Brambles Australia Limited, being the other Covenantor, conducts operations of a group of companies, whose principal activities are pallet hire, waste management, industrial services and document management.

Completion of the Agreement is conditional upon the satisfaction or waiver of certain conditions such as approval of the Acquisition under the Agreement by the Shareholders under the GEM Listing Rules and the obtaining of consent from the landlords of certain properties in which the Target Co is carrying on its businesses. It is currently expected that Completion will take place in early August 2005 when the conditions will be satisfied or waived in accordance with the Agreement.

ASSETS TO BE ACQUIRED

The entire issued share capital of the Target Co and the shareholder's loan from the Vendor to the Target Co as at Completion.

CONSIDERATION

The total consideration (subject to adjustment) is A$18,300,000 (approximately HK$108,623,000). A deposit of A$2,075,000 (approximately HK$12,317,000) was paid to the Vendor upon signing of the Agreement and the remaining consideration will be payable in cash upon Completion and in the manner set out in the Agreement. The Company currently intends that the total consideration will be satisfied partly by internal resources and partly by bank borrowings.

INFORMATION ON THE TARGET CO

The principal activities of the Target Co are manufacturing and distribution of horticultural products for the home garden market.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Co is a limited liability company incorporated under the laws of Australia and the Target Co and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company (as defined under the GEM Listing Rules).

The Group has taken into account the following factors in determining the consideration which was arrived at after arm's length negotiations between the parties: (i) the economic benefits of the transaction to the Group; (ii) the future prospects of the business of the Target Co; (iii) the synergistic effects and strategic value of the Target Co on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group.

As at 30 June 2004, the shareholders' loan was approximately A$12,000,000 (approximately HK$71,228,000) and the net asset value of the Target Co before shareholders' loan was approximately A$8,825,000 (approximately HK$52,383,000). The net profits before taxation and extraordinary items for the two years ended 30 June 2003 and 2004 which are immediately preceding the Acquisition were approximately A$976,000 (approximately HK$5,793,000) and A$1,247,000 (approximately HK$7,402,000) respectively. The net profits after taxation and extraordinary items for the said two years were approximately A$650,000 (approximately HK$3,858,000) and A$854,000 (approximately HK$5,069,000) respectively. The earnings before interest, tax, depreciation and amortization (EBITDA) for the said two years were approximately A$2,309,000 (approximately HK$13,706,000) and A$2,821,000 (approximately HK$16,745,000) respectively. The above financial information in relation to the Target Co was prepared by using the Australia GAAP.

MANAGEMENT DISCUSSION ON THE TARGET CO

The Target Co has historically been financed by a shareholder's loan from the Vendor, with minimal capital contribution. Shareholder's loan and equity as of 30 April 2005 were A$9,061,000 (approximately HK$53,783,000), compared with A$8,825,000 (approximately HK$52,383,000), A$6,406,000 (approximately HK$38,024,000) and A$6,005,000 (approximately HK$35,644,000) as at 30 June 2004, 2003 and 2002 respectively.

The Target Co is one of the leading players in the home garden market in Australia. Revenue during the ten months ended 30 April 2005 was A$24,866,000 (approximately HK$147,597,000), compared to A$25,433,000 (approximately HK$150,963,000), A$28,762,000 (approximately HK$170,723,000), A$25,033,000 (approximately HK$148,588,000) and A$23,559,000 (approximately HK$139,839,000) for the period/years ended 30 April 2004, 30 June 2004, 30 June 2003 and 30 June 2002 respectively. Gross profit margin was 37.2% during the ten months ended 30 April 2005, compared to 37.4%, 37.7%, 40.2% and 35.2% for the period/ years ended 30 April 2004, 30 June 2004, 30 June 2003 and 30 June 2002 respectively. The Target Co is a profitable operation. Income before and after tax for the ten months ended 30 April 2005 was A$1,149,000 (approximately HK$6,820,000) and A$791,000 (approximately HK$4,695,000) respectively, compared to A$1,345,000 (approximately HK$7,984,000) and A$939,000 (approximately HK$5,574,000) respectively for the ten months ended 30 April 2004; A$1,247,000 (approximately HK$7,402,000) and A$854,000 (approximately HK$5,069,000) respectively for the year ended 30 June 2004; A$976,000 (approximately HK$5,793,000) and A$650,000 (approximately HK$3,858,000) respectively for the year ended 30 June 2003; and A$665,000 (approximately HK$3,947,000) and A$460,000 (approximately HK$2,730,000) respectively for the year ended 30 June 2002. Earnings before interest, tax, depreciation and amortization (EBITDA) for the ten months ended 30 April 2005 was A$2,370,000 (approximately HK$14,068,000), compared to A$2,647,000 (approximately HK$15,712,000), A$2,821,000 (approximately HK$16,745,000), A$2,309,000 (approximately HK$13,706,000) and A$1,813,000 (approximately HK$10,761,000) for the period/years ended 30 April 2004, 30 June 2004, 30 June 2003 and 30 June 2002 respectively.

The Target Co has about 96 employees. Total staff costs for the ten months ended 30 April 2005 amounted to about A$4,245,000 (approximately HK$25,197,000), compared to A$4,500,000 (approximately HK$26,711,000), A$5,085,000 (approximately HK$30,183,000), A$4,157,000 (approximately HK$24,675,000) and A$3,840,000 (approximately HK$22,793,000) for the period/years ended 30 April 2004, 30 June 2004, 30 June 2003 and 30 June 2002 respectively. The Target Co's remuneration policy includes an incentive scheme upon achieving certain performance targets.

The Target Co generated strong positive cashflow from operations of A$1,037,000 (approximately HK$6,155,000) during the ten months ended 30 April 2005, compared to A$2,694,000 (approximately HK$15,991,000), A$3,254,000 (approximately HK$19,315,000), A$1,593,000 (approximately HK$9,456,000) and A$1,505,000 (approximately HK$8,933,000) during the period/years ended 30 April 2004, 30 June 2004, 30 June 2003 and 30 June 2002 respectively.

The Target Co's sales and material purchases are both denominated in Australian dollars, therefore exchange risk is insignificant.

There are no charges on the Target Co's assets.

The gearing ratio (equivalent to external borrowing divided by shareholders' equity) of the Target Co was zero for each of the period covered by the Accountants' Report.

The Target Co has no contingent liability.

REASONS FOR ENTERING INTO THE ACQUISITION

The Target Co has extensive customer base and distribution network of horticultural products in Australia. The customer base and distribution network of the Target Co can enlarge the platform for the Group to accelerate the commercialization of its products in the Australian market place.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

(1) Net tangible assets

As at 31 December 2004, the audited net tangible assets of the Group after taking into account the acquisition of AG (as stated in the circular dated 25 May 2005 and which was completed on 16 May 2005) were about HK$2,280,555,000. After the Acquisition, the unaudited proforma statement of net tangible assets of the enlarged Group will be about HK$2,206,394,000. The decrease of approximately 3.3% is mainly attributable to the goodwill arising from acquisition of A$10,682,000 (approximately HK$63,400,000).

The principal activities of AG are manufacturing, wholesaling, retailing and distributing nutraceutical products. The total consideration for the acquisition of AG was CAD$53,950,000 (approximately HK$346,224,000) (subject to adjustment) in cash.

(2) Earnings

The Group recorded an audited consolidated net profit after tax of HK$1,929,000 for the year ended 31 December 2004. The Target Co recorded an audited net profit after tax of A$791,000 (approximately HK$4,695,000) during the ten months ended 30 April 2005. Given the track record, earnings ability, distribution network and customer base of the Target Co and the synergies to be realized by the Group from the Acquisition, the Acquisition should be earnings-accretive to the enlarged Group in the future.

(3) Liabilities

As at 31 December 2004, the Group's gearing ratio after taking into consideration the acquisition of AG was 4.1%. After the Acquisition, the unaudited proforma gearing ratio of the enlarged Group will be 7.1%. The increase is mainly attributable to bank borrowing of A$13,725,000 (approximately HK$81,468,000) to finance the Acquisition.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group recorded profits before tax of approximately HK$4,281,000 for the year ended 31 December 2004, a 513% increase over the previous year. Turnover grew by 71% to HK$329,627,000 in the fiscal year 2004, as sales of environmental products grew by 554% to HK$155,032,000. Aside from achieving strong sales in China, the Group has successfully penetrated into two key strategic markets in the Asia Pacific Region, namely, Japan and South Korea. The sales network for the Group's eco-fertilizer now spans 13 countries and regions across three continents. Sales of health products grew by approximately 42% to HK$5,478,000 in the fiscal year 2004, as several new products were launched under the VitaGain® brand.

The joint venture with Nanjing Red Sun Stock Co Ltd in Jiangsu Province, PRC, and the acquisitions of Fertico Pty. Limited, Paton Fertilizers Pty Limited and AquaTower Pty Ltd in Australia and AG in Canada enable the Group to enlarge its sales force, sales and distribution network as well as customer base to further penetrate these markets in the sale of environmental and nutraceutical products.

Looking forward, the Group will grow by a four-pronged approach:

(i) enlarge the scale of its fertilizer and environmental business in existing markets, while continuing to extend the geographical coverage;

(ii) expedite the launch of more health supplements under the VitaGain® brand to broaden its product range;

(iii) accelerate the R&D progress through collaboration with world renowned institutions; and

(iv) continue to look for targeted strategic acquisitions that offer synergies to the Group's existing businesses.

GENERAL

The Directors considered that the Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Agreement are fair and reasonable and in the best interests of the Group so far as the interests of the Shareholders are concerned.

The business operations of the Group primarily include research and development, commercialization, marketing and sale of biotechnology products as well as investments in financial instruments/products. Products developed by the Group are categorized into areas of human health and environmental sustainability. A number of the inventions were granted patents by the US Patent and Trademark Office.

The Acquisition contemplated in the Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. No Shareholder is required to abstain from voting if the Company is to convene an extraordinary general meeting to approve the Acquisition. On 4 June 2005, the Company received a written approval on the Agreement from a closely allied group of Shareholders, namely Gold Rainbow, Trueway and Triluck together holding approximately 73.35% of the issued share capital of the Company, which have no interest in the Agreement or any transaction contemplated thereunder other than through equity interest in the Company. The shareholding interests of Gold Rainbow, Trueway and Triluck in the Company are 2,820,008,571 Shares (representing approximately 44.01%), 1,410,004,286 Shares (representing approximately 22.01%) and 470,001,429 Shares (representing approximately 7.34%) respectively. Gold Rainbow is an indirect wholly-owned subsidiary of CKH. Trueway and Triluck are both indirectly wholly-owned by Mr. Li Ka-shing who is the Chairman of CKH. Accordingly, no extraordinary general meeting is required to be held to consider the Acquisition contemplated under the Agreement pursuant to Rule 19.44 of the GEM Listing Rules.

Your attention is also drawn to the Appendices to this circular.

Yours faithfully,

By Order of the Board
LI TZAR KUOI, VICTOR
Chairman

A. SUMMARY OF FINANCIAL INFORMATION

A Summary of the consolidated income statement and the consolidated balance sheet of the Group for the last three financial years extracted from the annual report of the Company for year ended 31 December 2004 is set out below:

FINANCIAL SUMMARY

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated results summary			
Turnover	61,447	192,268	329,627
Results from operations	(60,475)	657	1,258
Profit/(loss) attributable to shareholders	(88,895)	928	1,929

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheet summary			
Non-current assets	2,469,723	2,515,897	2,310,811
Current assets	349,634	343,832	751,996
Current liabilities	(24,922)	(46,292)	(149,596)
Non-current liabilities	–	–	(68,223)
Minority interests	(351)	(121)	(49,283)
Shareholders' funds	2,794,084	2,813,316	2,795,705

B. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, audited consolidated balance sheet and notes to financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2004.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Notes	2004 HK$'000	2003 HK$'000
Turnover	3	329,627	192,268
Cost of sales		(134,506)	(17,689)
Other income	4	47,881	25,546
Staff costs	5	(105,636)	(99,517)
Depreciation		(23,829)	(18,812)
Amortization of development costs		(2,481)	(2,464)
Amortization of patents		(348)	(334)
Amortization of goodwill		–	(179)
Other operating expenses		(109,450)	(78,162)
Profit from operations	6	1,258	657
Finance costs	7	(4,438)	–
Gain on disposal of an associate		4,179	–
Share of results of associates		3,282	41
Profit before taxation		4,281	698
Taxation	8	(3,551)	–
Profit before minority interests		730	698
Minority interests		1,199	230
Profit attributable to shareholders		1,929	928
Earnings per share	9		
– Basic (Hong Kong cent)		0.030 cent	0.014 cent
– Diluted (Hong Kong cent)		0.030 cent	0.014 cent

CONSOLIDATED BALANCE SHEET
As at 31 December

		The Group	
		2004	**2003**
	Notes	*HK$'000*	*HK$'000*
Non-current assets			
Fixed assets	11	376,253	184,884
Development costs	12	128,336	92,330
Patents	13	9,416	9,994
Goodwill	14	34,215	–
Interests in associates	15	27,585	32,975
Investments in securities	16	1,523,840	1,955,161
Other investments		211,166	240,553
		2,310,811	2,515,897
Current assets			
Investments in securities	16	97,795	–
Other investments		29,387	27,763
Inventories	17	41,484	10,105
Receivables and prepayments	18	140,480	65,706
Bank balances and cash		442,850	240,258
		751,996	343,832
Current liabilities			
Payables and accruals	19	(112,946)	(46,292)
Finance lease obligations	20	(371)	–
Bank loans	21	(20,368)	–
Other loan		(13,737)	–
Taxation		(2,174)	–
		(149,596)	(46,292)
Net current assets		602,400	297,540
Total assets less current liabilities		2,913,211	2,813,437

		The Group	
		2004	2003
	Notes	*HK$'000*	*HK$'000*
Non-current liabilities			
Finance lease obligations	20	(621)	–
Bank loan	21	(60,217)	–
Loan from a minority shareholder	22	(7,239)	–
Deferred taxation	23	(146)	–
		(68,223)	–
Minority interests		(49,283)	(121)
Total net assets		2,795,705	2,813,316
Capital and reserves			
Share capital	24	640,738	640,703
Share premium and reserves	25	2,154,967	2,172,613
Total shareholders' funds		2,795,705	2,813,316

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	2004	**2003**
	HK$'000	*HK$'000*
Total shareholders' funds at 1 January	2,813,316	2,794,084
Net profit for the year	1,929	928
Items recognized in reserves:		
Surplus on revaluation of investments in securities	49,058	29,485
Exchange difference on translation of financial statements of overseas operations	1,600	350
	50,658	29,835
Realized on disposal/redemption of investments in securities	(70,711)	(11,579)
Issue of shares under share option scheme	513	48
Total shareholders' funds at 31 December	2,795,705	2,813,316

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December

	Note	2004 HK$'000	2003 HK$'000
Operating activities			
Profit from operations		1,258	657
Depreciation		23,829	18,812
Discount on acquisition of a subsidiary		(3,288)	–
Gain on disposal/redemption of investments in securities		(23,559)	(8,696)
Loss on disposal of fixed assets		52	–
Interest income		(154,444)	(167,391)
Amortization of development costs		2,481	2,464
Amortization of patents		348	334
Amortization of goodwill		–	179
Amortization of discount on other investments		(11,676)	(13,231)
Development costs written off		12,204	–
Patents written off		2,470	–
Operating loss before working capital changes		(150,325)	(166,872)
Decrease in investments in securities		5,244	–
Increase in inventories		(9,495)	(6,996)
Increase in receivables and prepayments		(68,123)	(14,932)
(Decrease)/increase in payables and accruals		(2,954)	22,991
Profits tax paid		(228)	–
Net cash used in operating activities		(225,881)	(165,809)
Investing activities			
Purchases of fixed assets		(88,780)	(23,676)
Proceeds from disposal of fixed assets		397	–
Purchase of subsidiaries	32	(43,552)	–
Capital contribution to associates		(16,177)	(33,361)
Proceeds from disposal of an associate		6,500	–
Purchases of investments in securities		(1,383,720)	(378,300)
Proceeds from disposal/redemption of investments in securities		1,728,907	399,621
Expenditure on intangible assets		(44,218)	(34,636)
Returns from other investments		39,439	39,439
Interest received		172,748	166,211
Net cash from investing activities		371,544	135,298
Financing activities			
Issue of shares		513	48
New bank loan		18,800	–
Repayment of bank loan		(4,824)	–
Repayment of finance lease obligations		(155)	–
Interest paid		(4,400)	–
Contribution by a minority shareholder of a subsidiary		46,995	–
Net cash from financing activities		56,929	48
Net increase/(decrease) in cash and cash equivalents		202,592	(30,463)
Cash and cash equivalents at beginning of the year		240,258	270,721
Cash and cash equivalents at end of the year		442,850	240,258
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		442,850	240,258

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, commercialization, marketing and sale of biotechnology products as well as investment in various financial and investment products.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong as well as the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which together with the Statement of Standard Accounting Practice ("SSAP") and interpretations issued by the HKICPA are collectively referred to as HKFRSs. The HKFRS and HKAS are effective for accounting periods beginning on or after 1 January 2005.

The Group has early adopted HKFRS 3 "Business Combination", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" which supersede SSAP 30 "Business Combination", SSAP 31 "Impairment of Assets" and SSAP 29 "Intangible Assets" respectively in the financial statements for the year beginning on 1 January 2004. The effects and impacts of early adoption of these HKFRSs are set out in the relevant accounting policies.

The Group has commenced an assessment of the impact of those new and revised HKFRSs that the Group has not early adopted in the financial statements for the year ended 31 December 2004 though it is not yet in a position to state whether such HKFRSs would have a significant impact on the Group's results of operations and financial position for the accounting year beginning on 1 January 2005.

Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2004.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective dates of acquisition to the end of the year or up to the effective dates of disposal as the case may be.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can clearly be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Any revaluation increase arising on revaluation of fixed assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/ accumulated losses.

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

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

Land and building	Over the terms of the lease
Laboratory instruments, plant and equipment	6% – 33 $^{1}/_{3}$%
Furniture, fixtures and other assets	5% – 33 $^{1}/_{3}$%

Assets held under finance leases are depreciated on the same basis as owned assets, or, where shorter, the term of the relevant lease.

No depreciation is provided on assets under construction. Depreciation will commence on the same basis as other assets of the same category when the assets are ready for their intended use.

Development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as an expense in the period in which it is incurred.

Expenditure incurred on projects in developing new products is capitalized and deferred when the projects are clearly defined and the relevant expenditure is recoverable through future commercial activities. Capitalized development costs are stated at cost less amortization and impairment losses. Amortization of development costs is charged to the income statement on a straight line basis over the estimated useful lives of the underlying products of 10 years.

The adoption of HKAS 38 "Intangible Assets" retrospectively from 1 January 2004 had no impacts on the financial statements of the Group.

Patents

Patents are stated initially at acquisition cost and are amortized on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

The adoption of HKAS 38 "Intangible Assets" retrospectively from 1 January 2004 had no impacts on the financial statements of the Group.

Goodwill

Under HKFRS 3, goodwill arising from business combination represents the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets and liabilities and contingent liabilities acquired and discount on acquisition represents the excess of the Group's share of the fair value of the identifiable assets and liabilities and contingent liabilities acquired over the cost of the acquisition.

According to SSAP 30 "Business Combination", when there is an excess of the costs of acquisition over the fair value of the Group's share of the identifiable assets and liabilities acquired, goodwill is recognized in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. Under HKFRS 3 "Business Combination", amortization of goodwill is not permitted in a business combination and instead requires the goodwill to be tested for impairment at least annually.

According to SSAP 30 "Business Combination", when there is an excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition, the discount on acquisition is to be carried forward and recognized as income in the same period in which the related future losses is recognized or recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable depreciable assets and any excess is charged to income immediately. Under HKFRS 3 "Business Combination", any discount on acquisition is recognized immediately in the income statement.

With the adoption of HKFRS 3 "Business Combination" by the Group prospectively from 1 January 2004, the profits attributable to shareholders for the year has been increased by HK$4,018,000.

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

Impairment

At the relevant reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately.

Where an impairment loss is subsequently reversed, the carrying amount of an asset/ cash-generating unit (other than goodwill arising from business combination) is increased to the revised estimate of its recoverable amount, but such reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets/ cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately. An impairment loss recognized for goodwill arising from business combination shall not be reversed in a subsequent period.

The adoption of HKAS 36 "Impairment Assets" retrospectively from 1 January 2004 did not have any impacts on the financial statements of the Group.

Investments in associates

An associate is a company, other than a subsidiary, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

Investments in associates are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for impairment loss. Results of associates are incorporated in the income statement to the extent of the Group's share of the post-acquisition profits or losses calculated from their financial statements made up to the financial year end of the Group.

Investments in securities

Investments in securities intended to be held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of investment in securities are dealt with as movements in the investment revaluation reserve. Upon disposal of the securities, the relevant revaluation surplus or deficit is dealt with in the income statement.

Other securities are stated at fair value in the balance sheet. Changes in fair value are dealt with in the income statement.

Other investments

Other investments are stated at cost plus or minus the cumulative amortization of the difference between the purchase price and the maturity amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and includes all costs incurred in bringing the inventories to their present condition and location. Net realizable value is determined by the estimated selling price in the ordinary course of business less estimated costs to completion and costs expected to be incurred in marketing, selling and distribution.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Sales of goods are recognized when goods are delivered and title has passed. Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Disposal and trading of investments in securities is recognized on a trade-date basis.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in fixed assets and depreciated over the shorter of the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement as so to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Foreign currencies

The financial records of the Company are maintained in Hong Kong Dollars. Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates on the relevant reporting date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, assets and liabilities of the Group’s subsidiaries with financial records maintained in foreign currencies are translated at the prevailing rates on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in the Group’s exchange reserve.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Deferred tax liabilities are provided in full on all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

3. TURNOVER

Turnover represents net invoiced value of goods sold, after allowance for returns and trade discount as well as income from investments, and is analysed as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Environment	155,032	23,692
Health	5,478	3,871
Investment	169,117	164,705
	329,627	192,268

To better reflect the Group's activities and for reporting purpose, the Group has re-grouped its operations into 3 business segments: Environment, Health and Investment. The sales of products of the Group have been consolidated into Environment and Health while income from investment in financial instruments has been included as the Group's turnover. Comparative figures have been re-stated to conform with the current year's presentation.

4. OTHER INCOME

	2004	**2003**
	HK$'000	*HK$'000*
Included in other income are:		
Interest income from bank	3,455	2,686
Amortization of discount on other investments	11,676	13,231
Discount on acquisition of a subsidiary	3,288	–
Gain on disposal/redemption of investments in securities	23,559	8,696

5. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$129,489,000 (2003: HK$120,139,000) of which HK$23,853,000 (2003: HK$20,622,000) relating to development activities was capitalized.

Staff costs also include operating lease rentals of HK$793,000 (2003: HK$889,000) in respect of accommodation provided to staff.

6. PROFIT FROM OPERATIONS

	2004	2003
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Auditors' remuneration	806	447
Depreciation of fixed assets		
Owned assets	32,330	24,593
Assets held under finance leases	153	–
	32,483	24,593
Amount capitalized as development costs	(8,654)	(5,781)
	23,829	18,812
Research and development expenditure	82,730	67,781
Amounts capitalized as development costs	(42,037)	(30,851)
	40,693	36,930
Amortization of development costs	2,481	2,464
	43,174	39,394
Development cost written off	12,204	–
Patents written off	2,470	–
Inventories written off	2,107	71
and after crediting:		
Interest income from investments in securities		
– Listed	29,524	43,468
– Unlisted	99,871	105,605
Income from other investments		
– Unlisted	21,594	15,632
Unrealized holding gain on trading securities	6,868	–

7. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on:		
Bank loans	3,904	–
Other loan	492	–
Finance leases	42	–
	4,438	–

8. TAXATION

	2004	2003
	HK$'000	*HK$'000*
Current tax		
Hong Kong	2,174	–
Other jurisdictions	228	–
Deferred tax		
Hong Kong	146	–
Share of taxation of associates – Other jurisdictions	1,003	–
	3,551	–

Hong Kong profits tax has been provided at the rate of 17.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for profits tax has been made for last year as there was no assessable profit for that year.

The charge for the year can be reconciled to the consolidated income statement as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	4,281	698
Notional tax at tax rate of 17.5%	749	122
Tax effect of share of results of associates	464	–
Tax effect of non-deductible expenses	3,890	13,802
Tax effect of non-taxable income	(33,289)	(40,506)
Tax effect of tax losses not recognized	30,846	32,704
Utilisation of tax losses previously not recognized	(217)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	120	(1,260)
Others	988	(4,862)
Tax expenses	3,551	–

9. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	2004	2003
	HK$'000	*HK$'000*
Profit for the year		
Profit for calculating basic and diluted earnings per share	1,929	928
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	6,407,316,727	6,407,007,562
Effect of dilutive potential ordinary shares	546,091	1,229,999
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	6,407,862,818	6,408,237,561

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2004 (2003: Nil).

11. FIXED ASSETS

	Leasehold land and building in Hong Kong HK$'000	Building under construction in Mainland China HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Total HK$'000
The Group					
Cost or valuation					
At 1 January 2004	115,000	–	81,031	40,788	236,819
Additions	–	15,052	112,010	7,568	134,630
Acquired on acquisition of subsidiaries	–	–	84,936	1,799	86,735
Disposals	–	–	(203)	(1,354)	(1,557)
Exchange difference	–	–	3,926	363	4,289
At 31 December 2004	115,000	15,052	281,700	49,164	460,916
Comprising:					
Cost	–	15,052	281,700	49,164	345,916
Valuation	115,000	–	–	–	115,000
	115,000	15,052	281,700	49,164	460,916
Depreciation					
At 1 January 2004	2,584	–	29,299	20,052	51,935
Provided for the year	2,584	–	20,911	8,988	32,483
Eliminated upon disposals	–	–	(170)	(938)	(1,108)
Exchange difference	–	–	991	362	1,353
At 31 December 2004	5,168	–	51,031	28,464	84,663
Net book value					
31 December 2004	109,832	15,052	230,669	20,700	376,253
31 December 2003	112,416	–	51,732	20,736	184,884

The land in Hong Kong is leased from Hong Kong Science and Technology Parks Corporation for a term up to 27 June 2047. The leasehold land and building in Hong Kong was revalued at HK$115,000,000 on 31 December 2002 by the Directors on an open market basis with reference to valuation at 30 April 2002 by DTZ Debenham Tie Leung, an independent professional valuer. The Directors considered that, as at 31 December 2004, the fair value of this leasehold land and building did not differ materially from that of 31 December 2002. Had the leasehold land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$137,134,000 (2003: HK$140,361,000).

Building under construction includes land use rights of HK$14,589,000 (2003: Nil) paid to the Mainland China Land Bureau for the use of land for a period for 40 years.

The net book value of the Group's fixed assets held under finance leases included in furniture, fixtures and other assets amounted to HK$1,469,000 (2003: Nil).

12. DEVELOPMENT COSTS

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Cost		
At 1 January	95,389	58,757
Additions	50,691	36,632
Amount written off	(12,204)	–
At 31 December	133,876	95,389
Amortization		
At 1 January	3,059	595
Provided for the year	2,481	2,464
At 31 December	5,540	3,059
Net book value		
At 31 December	128,336	92,330

13. PATENTS

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Cost		
At 1 January	10,471	6,689
Additions	2,181	3,782
Acquired on acquisition of subsidiaries	56	–
Amount written off	(2,470)	–
Exchange difference	4	–
At 31 December	10,242	10,471
Amortization		
At 1 January	477	143
Provided for the year	348	334
Exchange difference	1	–
At 31 December	826	477
Net book value		
At 31 December	9,416	9,994

14. GOODWILL

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Cost		
At 1 January	–	–
Arising on acquisition of subsidiaries	34,215	–
At 31 December	34,215	–

Goodwill arises from acquisition of 60% interest in Fertico Pty. Limited ("Fertico") and 100% interest in Paton Fertilizers Pty Limited on 1 May 2004 and 1 July 2004 respectively. Discount on acquisition arising from acquisition of 51% interest in AquaTower Pty Ltd which was acquired on 30 March 2004 is credited to the income statement.

The total cost of acquisition of the subsidiaries during the year amounted to HK$47,632,000 (2003: Nil) which comprises purchase consideration of HK$44,748,000 and direct attributable acquisition costs of HK$2,884,000.

Pursuant to the agreement for the acquisition of the interests in Fertico, the purchase consideration, of which AU$4,000,000 was paid, is based on the net profits of Fertico for the period from 1 July 2004 to 30 June 2005 and is in the range from AU$4,000,000 to AU$14,400,000. However, the Directors' best estimate of the consideration would not be higher than AU$4,000,000. Goodwill on acquisition of Fertico is calculated based on this amount.

15. INTERESTS IN ASSOCIATES

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Share of net assets of unlisted associates	27,585	24,567
Goodwill arising on acquisition of an associate	–	8,408
	27,585	32,975

Comparative amount of goodwill was released to the income statement upon the disposal of an associate during the year.

16. INVESTMENTS IN SECURITIES

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Non-trading:		
Debt securities – unlisted	1,273,810	1,303,565
Debt securities – listed overseas at market value	278,260	651,596
Equity securities – unlisted	59,809	–
Trading:		
Equity securities – listed in Hong Kong at market value	9,756	–
	1,621,635	1,955,161
Carrying amount analysed for reporting purpose as:		
Current	97,795	–
Non-current	1,523,840	1,955,161

17. INVENTORIES

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Raw materials	15,299	3,714
Work in progress	1,110	63
Finished goods	25,075	6,328
	41,484	10,105

The cost of inventories recognized as an expense during the year was HK$128,989,000 (2003: HK$17,689,000).

18. RECEIVABLES AND PREPAYMENTS

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Trade receivables	45,772	10,049
Other receivables, deposits and prepayments	94,708	55,657
	140,480	65,706
Trade receivables:		
Aged 0 to 90 days	44,121	9,991
Aged more than 90 days	1,651	58

The Group has a policy of allowing an average credit period of 30 to 90 days to its customers.

19. PAYABLES AND ACCRUALS

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Trade payables	23,954	4,653
Other payables and accrued charges	88,992	41,639
	112,946	46,292
Trade payables:		
Aged 0 to 90 days	22,673	4,653
Aged more than 90 days	1,281	–

20. FINANCE LEASE OBLIGATIONS

	The Group			
	Minimum lease payment		Present value of minimum lease payments	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance lease obligations payable				
within one year	437	–	371	–
within two to five years	692	–	621	–
	1,129	–	992	–
Less: Future finance charges	(137)	–	N/A	–
Present value of finance lease obligations	992	–	992	–
Carrying amount analysed for reporting purpose as:				
Current			371	–
Non-current			621	–

The finance leases are secured on certain fixed assets with an average lease term of 3-4 years. No residual value is expected at the end of the term.

21. BANK LOANS

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Bank loans repayable		
within 1 year	20,368	–
after 5 years	60,217	–
	80,585	–
Analysed as:		
Secured	61,785	–
Unsecured	18,800	–
	80,585	–
Carrying amount analysed for reporting purpose as:		
Current	20,368	–
Non-current	60,217	–

22. LOAN FROM A MINORITY SHAREHOLDER

Loan from a minority shareholder is unsecured, interest free and not payable within one year.

23. DEFERRED TAXATION

The major deferred tax (assets)/liabilities recognized by the Group and movements during the year are as follows:

	Accelerated tax depreciation	Development costs	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
As at 1 January 2003	9,619	9,306	(18,925)	–
Charge to income statement	1,144	6,852	(7,996)	–
As at 31 December 2003	10,763	16,158	(26,921)	–
Charge to income statement	(154)	6,301	(6,001)	146
As at 31 December 2004	10,609	22,459	(32,922)	146

At the balance sheet date, the total un-utilized tax losses amounted to approximately HK$819,244,000 (2003: HK$528,733,000). A deferred tax asset has been recognized in respect of HK$188,126,000 (2003: HK$153,834,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$631,118,000 (2003: HK$374,899,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized. Tax losses of approximately HK$11,267,000 (2003: HK$5,082,000) arising in Mainland China can only be carried forward for five years subsequent to the year in which the tax losses incur.

24. SHARE CAPITAL

	Number of shares of HK$0.1 each	Nominal value
	'000	*HK$'000*
Authorized	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2003	6,407,000	640,700
Shares issued under share option scheme	30	3
At 1 January 2004	6,407,030	640,703
Shares issued under share option scheme	352	35
As at 31 December 2004	6,407,382	640,738

25. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Group					
2003					
At 1 January 2003	2,391,662	46,042	–	(284,320)	2,153,384
Shares issued under share option scheme	45	–	–	–	45
Realized on disposal/redemption of investments in securities	–	(11,579)	–	–	(11,579)
Surplus on revaluation of investments in securities	–	29,485	–	–	29,485
Exchange difference on translation of financial statements of overseas operations	–	–	350	–	350
Profit for the year	–	–	–	928	928
At 31 December 2003	2,391,707	63,948	350	(283,392)	2,172,613
2004					
At 1 January 2004	2,391,707	63,948	350	(283,392)	2,172,613
Shares issued under share option scheme	478	–	–	–	478
Realized on disposal/redemption of investments in securities	–	(70,711)	–	–	(70,711)
Surplus on revaluation of investments in securities	–	49,058	–	–	49,058
Exchange difference on translation of financial statements of overseas operations	–	–	1,600	–	1,600
Profit for the year	–	–	–	1,929	1,929
At 31 December 2004	2,392,185	42,295	1,950	(281,463)	2,154,967

At the balance sheet date, the accumulated losses of the Group included the Group's share of the undistributed retained profits of the associates amounting to HK$2,114,000 (2003: HK$41,000).

26. SHARE OPTION SCHEME

The Company adopted a share option scheme on 26 June 2002 (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

As at 31 December 2004, options to subscribe for an aggregate of 21,250,000 shares of the Company granted to certain continuous contract employees pursuant to the Scheme were outstanding, details of which are as follows:

	Number of share options							
Date of grant	Outstanding as at 1 January 2004	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2004	Option period	Subscription price per share *HK$*
30/9/2002	3,952,000	–	34,500	257,000	–	3,660,500	30/9/2003 – 29/9/2012	1.598
27/1/2003	9,146,000	–	317,100	643,400	–	8,185,500	27/1/2004 – 26/1/2013	1.446
19/1/2004	–	10,160,000	–	756,000	–	9,404,000	19/1/2005 – 18/1/2014	1.762

Details of the vesting period for the above options are as follows:

(i) up to 35% of the options in the first year after commencement of the option period;

(ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) in the second year after commencement of the option period; and

(iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) in the third year and thereafter after the commencement of the option period.

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

27. PLEDGE OF ASSETS

Bank loan of HK$61,785,000 (2003: Nil) is secured by a mortgage over the shares of a subsidiary.

Other loan is secured by a fixed and floating charge over all the assets of a subsidiary with carrying value of HK$39,594,000.

Obligations under finance leases are secured by the lessor's charge over the leased assets.

28. OPERATING LEASE COMMITMENT

Leases are negotiated for a term ranging from one to two years and rentals are fixed for an average of one year. Minimum lease charges payable by the Group within one year and within one to two years under non-cancellable operating leases in respect of rented premises were HK$4,434,000 (2003: HK$560,000) and HK$7,543,000 (2003: Nil) respectively.

29. CAPITAL COMMITMENT

	The Group	
	2004	**2003**
	HK$'000	*HK$'000*
Capital commitment in respect of the acquisition of laboratory instrument, plant and equipment		
– contracted but not provided for	14,618	14,757
– authorized but not contracted for	979	–
	15,597	14,757

30. RETIREMENT BENEFITS SCHEME

The principal employee retirement schemes operated by the Group are defined contribution schemes. For Hong Kong employees, contributions are made by either employer only or by both employer and employees at rates ranging from approximately 5% to 10% on employee's salary. For overseas employees, contributions are made by employer at rates ranging from 9% to 20% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$8,905,000 (2003: HK$7,356,000) and forfeited contribution during the year of HK$1,273,000 (2003: HK$778,000) was used to reduce the Group's contribution in the year.

31. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2004 were as follows:

Name of Director	Fees	Basic salaries and allowances	Bonuses	Retirement benefits scheme contributions	Total emoluments 2004	Total emoluments 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Li Tzar Kuoi, Victor	70	–	–	–	70	50
Kam Hing Lam	70	4,200	–	–	4,270	4,250
Ip Tak Chuen, Edmond	70	1,800	–	–	1,870	1,850
Yu Ying Choi, Alan Abel	70	4,540	1,300	446	6,356	6,235
Pang Shiu Fun	70	4,163	1,200	407	5,840	5,482
Chu Kee Hung	70	2,895	825	284	4,074	3,817
Lam Hing Chau, Leon	70	1,976	550	194	2,790	2,625
Kwan Chiu Yin, Robert	89	–	–	–	89	50
Peter Peace Tulloch	70	–	–	–	70	50
Wong Yue-chim, Richard	140	–	–	–	140	100
Kwok Eva Lee	140	–	–	–	140	100
	929	19,574	3,875	1,331	25,709	24,609

The directors' fees included an amount of HK$70,000 (2003: HK$50,000) for each director and an additional amount of HK$70,000 (2003: HK$50,000) for each Independent Non-executive Director who is also a member of the audit committee. Such fees would be proportioned according to the length of services of the directors during the year.

None of the Directors waived any emoluments in the year ended 31 December 2004. No incentives were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2003: four) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining one (2003: one) are as follows:

	2004	2003
	HK$'000	*HK$'000*
Salary and other benefits	3,234	3,146
Bonus	3,000	500
Retirement benefits scheme contribution	240	240
	6,474	3,886

No incentive was paid by the Group to the above individual as inducements to join, or upon joining the Group, or as a compensation for loss of office.

32. PURCHASE OF SUBSIDIARIES

	HK$'000
Assets and liabilities, the amounts of which are approximate to the carrying values immediately before the acquisition of subsidiaries, acquired are as follows:	
Fixed assets	86,735
Patents	56
Inventories	20,547
Receivables and prepayments	17,546
Bank balances and cash	5,490
Payable and accruals	(23,741)
Bank overdrafts	(1,410)
Finance lease obligations	(1,065)
Bank and other loans	(77,076)
Loan from a minority shareholder	(7,011)
Minority interests	(3,366)
	16,705
Goodwill on acquisition	34,215
Discount on acquisition	(3,288)
Total consideration	47,632
Discharged by:	
Cash payment	47,632
Less: cash and cash equivalents purchased	(4,080)
	43,552

The subsidiaries acquired during the year contributed HK$64,366,000 to the Group's turnover and net loss of HK$1,676,000 to the Group's profit from operations. Should the acquisition have been completed on 1 January 2004, the acquired subsidiaries would have contributed the Group's annual turnover and net loss of HK$108,907,000 (unaudited) and HK$4,063,000 (unaudited) respectively.

33. MAJOR NON-CASH TRANSACTION

Part of the consideration for disposal of an associate was satisfied by a convertible note of HK$15,000,000 and a promissory note of HK$6,500,000.

34. SEGMENT INFORMATION

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

(a) Business segments

	Environment		Health		Investment		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	155,032	23,692	5,478	3,871	169,117	164,705	–	–	329,627	192,268
Segment results	(44,695)	(46,257)	(29,989)	(30,246)	204,423	186,632	–	–	129,739	110,129
Other income									7,265	3,619
Business development expenditure	–	–	–	–	–	–	(26,007)	(22,002)	(26,007)	(22,002)
Research and development expenditure	–	–	–	–	–	–	(39,308)	(26,037)	(39,308)	(26,037)
Corporate expenses									(70,431)	(65,052)
Profit from operations									1,258	657
Finance costs									(4,438)	–
Gain on disposal of an associate									4,179	–
Share of results of associates	3,282	41	–	–	–	–	–	–	3,282	41
Profit before taxation									4,281	698
Taxation									(3,551)	–
Profit before minority interests									730	698
Minority interests									1,199	230
Profit attributable to shareholders									1,929	928

	Environment		Health		Investment		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	314,987	56,528	153,778	75,745	1,892,260	2,265,240	–	–	2,361,025	2,397,513
Goodwill	34,215	–	–	–	–	–	–	–	34,215	–
Interests in associates	27,585	9,154	–	23,821	–	–	–	–	27,585	32,975
Cash									442,850	240,258
Other assets									197,132	188,983
Total assets									3,062,807	2,859,729
Segment liabilities	(83,718)	(11,353)	(6,078)	(4,359)	–	–	–	–	(89,796)	(15,712)
Other liabilities									(128,023)	(30,580)
Total liabilities									(217,819)	(46,292)

	Environment		Health		Investment		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information										
Amortization of intangible assets	2,769	793	60	39	–	–	–	2,145	2,829	2,977
Depreciation	3,957	706	10,711	6,025	–	–	17,815	17,862	32,483	24,593
Capital additions	92,714	3,060	78,729	44,322	–	–	16,059	15,690	187,502	63,072

(b) Geographical segments

Turnover is analysed by the Group's sales by geographical market while the carrying amount of segments assets and capital additions is analysed by the geographical area in which the segment assets are located.

	Turnover		Segment assets		Capital additions	
	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	24,202	3,871	380,830	340,412	66,810	53,809
Mainland China	84,083	16,015	248,651	29,630	116,596	5,323
Other Asian countries	1,932	5,664	122,258	137,568	–	5
Australia	68,222	1,323	180,312	1,491	1,915	153
United States of America	622	690	270,709	137,392	–	–
Europe *(Note)*	150,566	164,705	1,860,047	2,213,236	2,181	3,782
	329,627	192,268	3,062,807	2,859,729	187,502	63,072

Note: including mainly financial instruments

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

a) The Group made sales of HK$3,358,000 (2003: HK$2,715,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associated company of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

b) The Group made sales of HK$18,862,000 (2003: Nil) to Jiangsu Su Nong Agricultural Means Chain Company Ltd., an indirect associate of the Group.

The prices of these transactions were agreed between the parties concerned.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix V, a copy of the following report is available for inspection.

Deloitte.
德勤

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

29 July 2005

The Directors
CK Life Sciences Int'l., (Holdings) Inc.
2 Dai Fu Street
Tai Po Industrial Estate
Hong Kong

Dear Sirs,

Re: CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Envirogreen Pty Limited ("Target Co")

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") of the Group and the Target Co (hereinafter collectively referred to as the "Enlarged Group") set out in Appendix II to the circular of the Company dated 29 July 2005 (the "Circular") issued in connection with the acquisition of the entire issued share capital of and shareholder's loan in Target Co (the "Acquisition"), which has been prepared by the directors of the Company, for illustration purposes only, to provide information about how the Acquisition might have affected the assets and liabilities of the Group.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statement of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Statement.

The Statement has been prepared in accordance with the basis set out in Appendix II to the Circular for illustration purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 31 December 2004 or at any future date.

OPINION

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, assuming that the transaction had been completed as at 31 December 2004 for the purpose of illustrating how the transaction might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited pro forma statement of assets and liabilities of the Group including Développement Santé Naturelle A.G. Ltée, acquired since 31 December 2004, extracted from the circular issued by the Company on 25 May 2005 and the audited balance sheet of the Target Co as at 30 April 2005 extracted from the Accountants' Report (translated at the rate of A$1.00 : HK$5.9357) set out in Appendix III of this circular and adjusted for the transactions resulting from the Acquisition.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information on the Enlarged Group as a result of completion of the Acquisition. As it is prepared for illustrative purpose only, it may not purport to represent what the assets and liabilities of the Enlarged Group shall be on the actual completion of the Acquisition.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group
As at 31 December 2004

	The Group	Target Co	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	382,619	13,304	395,923		395,923
Development costs	128,336	–	128,336		128,336
Patents and trademarks	9,416	5,045	14,461		14,461
Goodwill	377,398	5,716	383,114	63,400 (2)	446,514
Deferred tax assets	212	2,285	2,497		2,497
Interests in subsidiaries	–	–	–	108,623 (1)	–
				(49,254) (2)	
				(59,369) (4)	
Interests in associates	27,585	–	27,585		27,585
Investments in securities	1,523,840	–	1,523,840		1,523,840
Other investments	211,166	–	211,166		211,166
	2,660,572	26,350	2,686,922		2,750,322

	The Group	Target Co	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Investments in securities	97,795	–	97,795		97,795
Other investments	29,387	–	29,387		29,387
Inventories	73,142	21,833	94,975		94,975
Receivables and prepayments	167,952	25,066	193,018		193,018
Bank balances and cash	98,333	8,571	106,904	(27,155) (1)	71,178
				(8,571) (3)	
	466,609	55,470	522,079		486,353
Current liabilities					
Payables and accruals	132,346	26,034	158,380		158,380
Finance lease obligations	384	–	384		384
Bank loans and overdraft	54,060	–	54,060		54,060
Other loans	13,737	–	13,737		13,737
Taxation	13,443	39	13,482		13,482
	213,970	26,073	240,043		240,043
Net current assets	252,639	29,397	282,036		246,310
Total assets less current liabilities	2,913,211	55,747	2,968,958		2,996,632
Non-current liabilities					
Finance lease obligations	621	–	621		621
Bank loan	60,217	–	60,217	81,468 (1)	141,685
Loan from shareholder	7,239	67,940	75,179	(8,571) (3)	7,239
				(59,369) (4)	
Other payable	–	1,953	1,953		1,953
Deferred taxation	146	–	146		146
	68,223	69,893	138,116		151,644
Minority interests	49,283	–	49,283		49,283
Total net assets (liabilities)	2,795,705	(14,146)	2,781,559		2,795,705

Notes:

(1) Adjustment to reflect the consideration of A$18,300,000 (equivalent to approximately HK$108,623,000) for the acquisition of the Target Co of A$8,298,000 (equivalent to approximately HK$49,254,000) and assignment of shareholders' loan of A$10,002,000 (equivalent to approximately HK$59,369,000), of which A$4,575,000 (equivalent to approximately HK$27,155,000) is to be settled by cash and the balance by bank borrowings.

(2) Adjustment to eliminate equities acquired and reflect goodwill arising from the acquisition of AUD10,682,000 (equivalent to approximately HK$63,400,000).

(3) Adjustment to reflect the partial settlement of the shareholders' loan by the Target Co prior to completion.

(4) Adjustment to eliminate intercompany balances.

2. The unaudited pro forma income statement of the Group, incorporating the companies acquired since 31 December 2004, the AG Group which is prepared based on the audited consolidated income statement of the Group extracted from the annual report of the Company for the year ended 31 December 2004, the consolidated income statement of the AG Group for the year ended 31 December 2004 extracted from the Accountants' Report included in the circular issued by the Company on 25 May 2005 is as follows:

	The Group	**Développement Santé Naturelle A.G. Ltée and its subsidiary**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	329,627	207,702	537,329
Cost of Sales	(134,506)	(79,872)	(214,378)
Other Income	47,881	13	47,894
Staff costs	(105,636)	(22,038)	(127,674)
Depreciation	(23,829)	(1,489)	(25,318)
Amortization of development costs	(2,481)	–	(2,481)
Amortization of patents/trademarks	(348)	–	(348)
Other operating expenses	(109,450)	(66,729)	(176,179)
Profit from operations	1,258	37,587	38,845
Finance costs	(4,438)	(1,669)	(6,107)
Gain on disposal of an associate	4,179	–	4,179
Share of results of associates	3,282	–	3,282
Profit before taxation	4,281	35,918	40,199
Taxation	(3,551)	(11,718)	(15,269)
Profit before minority interests	730	24,200	24,930
Minority interests	1,199	–	1,199
Profit attributable to shareholders	1,929	24,200	26,129

3. INDEBTEDNESS

Borrowing

At the close of business on 30 June 2005, the Enlarged Group has a total borrowing of HK$487,948,000 comprising of secured borrowings of HK$376,553,000, other unsecured loans of HK$109,775,000 and finance lease obligations of HK$1,620,000. Save as disclosed herein, the Enlarged Group has no other borrowing as at the close of business on 30 June 2005.

Contingent Liabilities

As at 30 June 2005, the Enlarged Group had no significant contingent liabilities.

Capital Commitments

As at 30 June 2005, the Enlarged Group had no significant capital commitment.

Mortgages and Charges

As at 30 June 2005, certain assets with a net book value of HK$113,737,000 were pledged to secure borrowing facilities granted to the Enlarged Group. Save as disclosed herein, the Enlarged Group has no other mortgages and charges as at 30 June 2005.

Debt Securities

As at 30 June 2005, the Enlarged Group had no outstanding debt securities.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's cash and bank balances as well as the liquidity of its securities, the Enlarged Group will have sufficient working capital for its present requirements following the completion of the Acquisition.

5. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix V, a copy of the following report is available for inspection.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
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111 Connaught Road Central
Hong Kong

29 July 2005

The Directors
CK Life Sciences Int'l., (Holdings) Inc.

Dear Sirs,

We set out below our report on the financial information set out in sections A to D (the "Financial Information") below regarding Envirogreen Pty Limited (the "Target Co") for each of the three years ended 30 June 2004 and the ten months ended 30 April 2005 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular dated 29 July 2005 (the "Circular") issued by CK Life Sciences Int'l., (Holdings) Inc. (the "Company") in connection with the acquisition of the entire issued share capital of and shareholder's loan in the Target Co (the "Acquisition").

Target Co was incorporated on 16 June 1995 under The Corporations Act of Australia as a private limited liability company and its principal activity is manufacturing of horticultural products.

Deloitte Touche Tohmatsu, Australia have been the auditors of the Target Co for the Relevant Periods.

The financial statements of the Target Co were prepared in accordance with the relevant applicable Australian accounting standards applicable to Australian enterprises and UIG Consensus Views except for the disclosure requirements of AASB 1017 "Related Party Disclosures", AASB 1028 "Accounting for Employee Entitlements" and AASB 1033 "Presentation and Disclosure of Financial Instruments".

We have examined the audited financial statements of the Target Co for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information, which is expressed in Australian Dollars, has been prepared based on the audited financial statements for the Relevant Periods of the Target Co, after making such adjustments to comply with the accounting policies adopted by the Company as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The financial statements of the Target Co are the responsibility of the directors of the Target Co who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the financial statements of the Target Co, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Co as at 30 June 2002, 30 June 2003, 30 June 2004 and 30 April 2005 and of its profit and cash flows for each of the periods then ended.

For the purpose of this report, the information set out in sections A to D for the ten months ended 30 April 2004, which has been prepared by the directors of the Target Co based on the management accounts of the Target Co in accordance with applicable Australian accounting standards and reviewed and adjusted by the Company to comply with applicable Hong Kong financial reporting standards, is presented for comparison purpose. We have reviewed this financial information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of the management and applying analytical procedures to this financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on this financial information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to this financial information.

A. FINANCIAL INFORMATION

INCOME STATEMENT

		For the year/period from				
	Notes	**1.7.2001 to 30.6.2002**	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
		A$'000	*A$'000*	*A$'000*	*A$'000* (*Unaudited*)	*A$'000*
Turnover	*3*	23,559	25,033	28,762	25,433	24,866
Cost of goods sold		(15,262)	(14,980)	(17,931)	(15,919)	(15,609)
Gross profit		8,297	10,053	10,831	9,514	9,257
Other operating income (loss)		248	302	232	168	(18)
Distribution costs		(2,929)	(4,293)	(4,286)	(3,675)	(3,951)
Administrative expenses		(3,626)	(3,721)	(4,184)	(3,580)	(3,288)
Other operating expenses		(768)	(767)	(627)	(488)	(259)
Profit from operations	*4*	1,222	1,574	1,966	1,939	1,741
Finance costs	*5*	(557)	(598)	(719)	(594)	(592)
Profit before taxation		665	976	1,247	1,345	1,149
Income tax	*6*	(205)	(326)	(393)	(406)	(358)
Profit for the year/period		460	650	854	939	791

BALANCE SHEET

	Notes	As at 30 June 2002	2003	2004	As at 30 April 2005
		A$'000	*A$'000*	*A$'000*	*A$'000*
Non-current assets					
Property, plant and equipment	*7*	2,058	2,235	2,915	2,241
Trademarks	*8*	1,000	947	894	850
Goodwill	*9*	112	67	963	963
Deferred tax assets	*10*	216	260	385	385
		3,386	3,509	5,157	4,439
Current assets					
Inventories	*11*	3,398	3,631	4,141	3,678
Receivables and prepayments	*12*	3,029	2,608	2,842	4,223
Bank balances and cash		465	278	1,484	1,444
		6,892	6,517	8,467	9,345
Current liabilities					
Payables and accruals	*13*	(3,829)	(3,074)	(3,909)	(3,942)
Provision	*14*	(154)	(161)	(397)	(444)
Tax liability		(157)	(170)	(218)	(7)
		(4,140)	(3,405)	(4,524)	(4,393)
Net current assets		2,752	3,112	3,943	4,952
Total assets less current liabilities		6,138	6,621	9,100	9,391
Non-current liabilities					
Loan from ultimate holding company	*15*	(10,684)	(10,435)	(12,000)	(11,445)
Provision	*14*	(133)	(215)	(275)	(330)
		(10,817)	(10,650)	(12,275)	(11,775)
		(4,679)	(4,029)	(3,175)	(2,384)
Capital and reserve					
Share capital	*16*	1	1	1	1
Accumulated losses	*17*	(4,680)	(4,030)	(3,176)	(2,385)
		(4,679)	(4,029)	(3,175)	(2,384)

STATEMENT OF CHANGES IN EQUITY

	For the year/period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
As at beginning of year/period	(5,139)	(4,679)	(4,029)	(4,029)	(3,175)
Profit for the year/period	460	650	854	939	791
As at end of year/period	(4,679)	(4,029)	(3,175)	(3,090)	(2,384)

CASH FLOW STATEMENT

	Note	For the year/period from 1.7.2001 to 30.6.2002 A$'000	1.7.2002 to 30.6.2003 A$'000	1.7.2003 to 30.6.2004 A$'000	1.7.2003 to 30.4.2004 A$'000 (Unaudited)	1.7.2004 to 30.4.2005 A$'000
Operating activities						
Profit from operations		1,222	1,574	1,966	1,939	1,741
Depreciation		612	643	809	669	604
Amortisation of trademarks		–	53	53	44	44
Amortisation of goodwill		–	45	–	–	–
Loss (profit) on disposal/write-off of property, plant and equipment		46	113	(155)	(155)	–
Increase in provision		59	89	211	221	102
Interest income		(21)	(6)	(7)	(5)	(19)
Operating cash inflows before working capital changes		1,918	2,511	2,877	2,713	2,472
(Increase) decrease in inventories		(758)	(233)	(10)	(19)	463
(Increase) decrease in receivables and prepayments		(1,223)	421	(221)	(1,301)	(1,381)
Increase (decrease) in payables and accruals		1,820	(755)	1,071	1,765	33
Interest received		21	6	7	5	19
Income tax paid		(273)	(357)	(470)	(469)	(569)
Net cash from operating activities		1,505	1,593	3,254	2,694	1,037
Investing activities						
Acquisition of business	19	(2,262)	–	(2,474)	(2,474)	–
GST paid on acquisition of business		(218)	–	(236)	(236)	–
Purchases of property, plant and equipment		(713)	(1,082)	(405)	(360)	(127)
Proceeds from disposal of property, plant and equipment		249	149	221	221	197
Net cash (used in) from investing activities		(2,944)	(933)	(2,894)	(2,849)	70
Financing activities						
Loans from ultimate holding company		2,318	–	2,525	2,525	–
Repayment of loan from ultimate holding company		(242)	(249)	(960)	(630)	(555)
Interest paid		(557)	(598)	(719)	(594)	(592)
Net cash from (used in) financing activities		1,519	(847)	846	1,301	(1,147)
Net increase (decrease) in cash and cash equivalents		80	(187)	1,206	1,146	(40)
Cash and cash equivalents at beginning of year/period		385	465	278	278	1,484
Cash and cash equivalents at end of year/period		465	278	1,484	1,424	1,444
Represented by:						
Bank balances and cash		465	278	1,484	1,424	1,444

NOTES TO THE FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong and on a going concern basis as it is the Company's intention to provide adequate funds for the Target Co to meet its liabilities as they fall due. The significant accounting policies, which are detailed in (a) to (k) below, adopted in preparing this Financial Information are consistent with those adopted by the Company.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards (the "HKAS") and Hong Kong Financial Reporting Standards (the "HKFRS") (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting period beginning on or after 1 January 2005. The Company has early adopted HKFRS No. 3 "Business Combinations", HKAS No. 36 "Impairment of Assets" and HKAS No. 38 "Intangible assets" in preparing its financial statements for the period beginning on 1 January 2004 and adopted the remaining HKFRSs in the year beginning on 1 January 2005. For the purpose of preparing the financial information of the Target Co, HKFRS 3, HKAS 36 and HKAS 38 were adopted for the period beginning on or after 1 July 2003. The other new HKFRSs were adopted on 1 July 2004. The effects and impacts of changes in accounting policies of the Target Co due to the adoption of the new HKFRSs by the Company are detailed in the respective section (a) to (k) below. However, the change in the accounting policies does not have any material impact on the Financial Information of the Target Co for the periods presented.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses where appropriate. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	6.67% – 10%
Leasehold improvements	10%
Plant and equipment	12.5% – 20%

No depreciation is provided on freehold land.

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

(b) Goodwill

Prior to the year ended 30 June 2004, goodwill arising from acquisition of business represents the excess of costs of acquisition over the net fair value of the identifiable assets and liabilities acquired. Goodwill is recognised in the balance sheet as an asset and amortised on a straight-line basis over its estimated useful life of 20 years. As from the year ended 30 June 2004, goodwill arising from acquisition of business represents the excess of cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition and was stated at cost less impairment and that before the date of transition to HKFRS 3 was to be retained at the previous carrying amount subject to being tested for impairment at that date and at least annually. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed when impairment loss is subsequently reversed.

(c) Trademarks

Trademarks are recorded at cost and amortised on a straight line basis over its useful life of 20 years.

(d) Impairment

The carrying amounts of its tangible and intangible assets at the relevant reporting date were reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where the carrying amount of other asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but such reversal does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets/cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately. On adoption of HKAS 36, impairment loss recognised for goodwill is not reversed when an impairment loss is subsequently reversed.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the Target Co's balance sheet when the Target Co becomes a party to the contractual provisions of the instrument. The major categories of financial instruments held by the Target Co are as follows:

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Target Co after deducting all of its liabilities.

Interest-bearing borrowings

Interest-bearing borrowings and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges which are accounted for on an accrual basis are charged to the income statement using the effective interest rate method in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Co and when the revenue can be measured reliably. Sale of goods is recognised when the goods are delivered and title has passed. Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(h) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Co are classified as finance leases. At the inception of a finance lease, assets held under finance leases are capitalised at their fair values or, if lower, at their present values of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. The finance costs of such leases are charged to the income statement over the period of the relevant lease so as to provide a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

(j) Foreign currencies

Transactions denominated in currencies other than Australian dollars are translated into Australian dollars at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Australian dollars are re-translated at the prevailing rates at the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

(k) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 tax liabilities are generally recognised for all taxable temporary differences, and deferred tax 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 differences arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax 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 tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

2. SEGMENT INFORMATION

The Target Co operates predominantly in Australia, and the sole principal activity of the Target Co is manufacturing and wholesale of horticultural products. Accordingly, no segment information by business and geographical segment is presented.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discount.

4. PROFIT FROM OPERATIONS

	For the year/period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
Profit from operations has been arrived at after charging:					
Auditors' remuneration	43	48	45	39	39
Directors' emoluments	–	–	–	–	–
Staff costs	3,840	4,157	5,085	4,500	4,245
Depreciation of property, plant and equipment	612	643	809	669	604
Amortisation of trademarks	–	53	53	44	44
Minimum lease payments for operating lease in respect of land and buildings	221	208	294	244	231
Loss on disposal of property, plant and equipment	46	113	–	–	–
and crediting:					
Gain on disposal of property plant and equipment	–	–	155	155	–
Interest income from bank deposits	21	6	7	5	19

5. FINANCE COSTS

	For the year/period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
Interest on:					
Bank overdraft	1	14	3	7	5
Loan from ultimate holding company	556	584	716	587	587
	557	598	719	594	592

6. INCOME TAX

	For the year/period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
Current tax	236	370	518	439	358
Deferred tax	(31)	(44)	(125)	(33)	–
	205	326	393	406	358

Income tax is calculated at the rate of 30% on the taxable profit for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the income statement as follows:

	For the year/period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
Profit before taxation	665	976	1,247	1,345	1,149
Tax charge at the domestic income tax rate of 30%	200	293	374	403	345
Tax effect of non-deductible expenses	4	33	19	3	13
Underprovision in respect of prior year	1	–	–	–	–
Tax charge for the year/period	205	326	393	406	358

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and equipment	Total
	A$'000	*A$'000*	*A$'000*	*A$'000*
Cost				
At 1 July 2001	467	975	3,720	5,162
Acquired on acquisition of business	–	–	450	450
Additions	38	72	603	713
Disposals	(8)	(433)	(768)	(1,209)
At 30 June 2002	497	614	4,005	5,116
Additions	308	223	551	1,082
Adjustments	(15)	(202)	175	(42)
Disposals	(227)	(21)	(306)	(554)
At 30 June 2003	563	614	4,425	5,602
Acquired on acquisition of business	–	–	1,150	1,150
Additions	–	101	304	405
Disposals	–	–	(616)	(616)
At 30 June 2004	563	715	5,263	6,541
Additions	–	–	127	127
Disposals	–	–	(197)	(197)
At 30 April 2005	563	715	5,193	6,471
Accumulated depreciation				
At 1 July 2001	288	543	2,529	3,360
Charge for the year/period	52	72	488	612
Disposals	(5)	(288)	(621)	(914)
At 30 June 2002	335	327	2,396	3,058
Charge for the year/period	153	81	409	643
Adjustments	(194)	(157)	366	15
Disposals	(122)	(8)	(219)	(349)
At 30 June 2003	172	243	2,952	3,367
Charge for the year/period	86	102	621	809
Disposals	–	–	(550)	(550)
At 30 June 2004	258	345	3,023	3,626
Charge for the year/period	72	88	444	604
At 30 April 2005	330	433	3,467	4,230
Net book value				
As at 30 June 2002	162	287	1,609	2,058
As at 30 June 2003	391	371	1,473	2,235
As at 30 June 2004	305	370	2,240	2,915
As at 30 April 2005	233	282	1,726	2,241

8. TRADEMARKS

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$'000	*A$'000*	*A$'000*	*A$'000*
Cost				
As at beginning of year/period	–	1,000	1,000	1,000
Acquired on acquisition of business	1,000	–	–	–
As at end of year/period	1,000	1,000	1,000	1,000
Amortisation				
As at beginning of year/period	–	–	53	106
Charge for the year/period	–	53	53	44
As at end of year/period	–	53	106	150
Carrying amount				
As at end of year/period	1,000	947	894	850

9. GOODWILL

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$'000	*A$'000*	*A$'000*	*A$'000*
Cost				
As at beginning of year/period	–	112	112	1,008
Arising on acquisition of business	112	–	896	–
As at end of year/period	112	112	1,008	1,008
Amortisation				
As at the beginning of year/period	–	–	45	45
Charge for the year/period	–	45	–	–
As at end of year/period	–	45	45	45
Carrying amount				
As at end of year/period	1,000	67	963	963

10. DEFERRED TAX ASSETS

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated depreciation charge	Allowance for doubtful debt	Provision for employee benefit	Others	Total
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*
At 1 July 2001	135	42	57	(49)	185
Credit (charge) to income for the year	(59)	–	29	61	31
At 30 June 2002	76	42	86	12	216
Credit (charge) to income for the year	56	(35)	27	(4)	44
At 30 June 2003	132	7	113	8	260
Credit (charge) to income for the year	47	4	89	(15)	125
At 30 June 2004 and 30 April 2005	179	11	202	(7)	385

11. INVENTORIES

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$'000	*A$'000*	*A$'000*	*A$'000*
Raw materials	1,620	1,698	1,796	1,544
Work in progress	256	122	286	417
Finished goods	1,522	1,811	2,059	1,717
	3,398	3,631	4,141	3,678

All the inventories are stated at cost.

12. RECEIVABLES AND PREPAYMENTS

	As at 30 June			As at 30 April
	2002	**2003**	**2004**	**2005**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Trade receivables	2,952	2,305	2,621	3,982
Allowance for doubtful debts	(139)	(23)	(35)	(40)
	2,813	2,282	2,586	3,942
Other receivables and prepayments	216	326	256	281
	3,029	2,608	2,842	4,223
Trade receivables				
Aged 0 to 30 days	1,225	1,449	1,542	2,262
Aged 31 to 60 days	837	594	717	934
Aged 61 to 90 days	890	262	362	786
	2,952	2,305	2,621	3,982

The Target Co has a policy of allowing an average credit period of 30 days to its customers. Allowance for doubtful debts has been determined by reference to past default experience.

13. PAYABLES AND ACCRUALS

	As at 30 June			As at 30 April
	2002	**2003**	**2004**	**2005**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Trade payables	820	1,372	2,339	2,106
Other payables and accrued charges	3,009	1,702	1,570	1,836
	3,829	3,074	3,909	3,942
Trade payables				
Aged 0 to 30 days	227	397	713	643
Aged 31 to 60 days	560	659	779	1,075
Aged 61 to 90 days	29	208	513	275
Aged over 90 days	4	108	334	113
	820	1,372	2,339	2,106

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

14. PROVISION

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$'000	*A$'000*	*A$'000*	*A$'000*
As at beginning of year/period	193	287	376	672
Acquisition of business	30	–	85	–
Addition	249	296	552	357
Utilisation	(185)	(207)	(341)	(255)
As at end of year/period	287	376	672	774
Analysed for reporting purpose as:				
Current liabilities	154	161	397	444
Non-current liabilities	133	215	275	330
	287	376	672	774

Provision is made for: (a) benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably; (b) wages and salaries, annual leave and other employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement; and (c) other employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Target Co in respect of the services provided by employees up to the reporting date.

15. LOAN FROM ULTIMATE HOLDING COMPANY

The amount is unsecured. Interest is charged on quarterly or half yearly bill rate ranging between 6.2% to 7.2%.

16. SHARE CAPITAL

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$	*A$*	*A$*	*A$*
2 fully paid ordinary shares of A$1 each	2	2	2	2

Fully paid ordinary shares carrying one vote per share and the right to dividends.

17. ACCUMULATED LOSSES

	As at 30 June			As at 30 April
	2002	2003	2004	2005
	A$'000	*A$'000*	*A$'000*	*A$'000*
As at beginning of year/period	(5,140)	(4,680)	(4,030)	(3,176)
Profit for the year/period	460	650	854	791
As at end of year/period	(4,680)	(4,030)	(3,176)	(2,385)

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets of the Target Co comprise of trade receivables and bank balances and cash.

Trade and other receivables at the balance sheet date comprise amounts receivable from the sale of goods are disclosed in note 12.

The directors of the Target Co consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash held by the Target Co and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The directors of the Target Co consider that the carrying amount of trade payables approximates their fair value.

19. ACQUISITION OF BUSINESS

Target Co acquired certain businesses in July 2001 and August 2003.

Details of the net assets acquired are as follows:

	1.7.2001 to 30.6.2002	1.7.2003 to 30.6.2004
	A$'000	*A$'000*
Fair value of net assets acquired		
Property, plant and equipment	450	1,150
Trademarks	1,000	–
Inventories	730	500
Prepayments	–	13
Provision for employee entitlements	(30)	(85)
Net assets acquired	2,150	1,578
Goodwill on acquisition	112	896
Total consideration	2,262	2,474
Net cash outflow on acquisition		
Cash consideration	2,262	2,474

The business acquired in July 2001 contributed A$9,316,000 revenue and A$416,000 to the Target Co's profit before taxation for the period between the date of acquisition and 30 June 2002 and the business acquired in August 2003 contributed A$4,009,000 revenue and A$248,000 to the Target Co's profit before taxation for the period between the date of acquisition and 30 June 2004.

If the business acquired in August 2003 had been completed on 1 July 2003, total revenue of the Target Co for the period would have been A$4,356,000 and profit for the period would have been A$261,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of the operations of the Target Co that actually would have been achieved had the acquisition been completed on 1 July 2003, nor is it intended to be a projection of future results.

20. OPERATING LEASE COMMITMENTS

Minimum lease charges payable by the Target Co under non-cancellable operating leases in respect of rented premises were as follows:

				As at
		As at 30 June		**30 April**
	2002	**2003**	**2004**	**2005**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Within one year	184	161	251	240
In the second to fifth year inclusive	272	138	149	621
	456	299	400	861

Leases are negotiated for an average term of 5 years and rentals are reviewed annually.

21. RETIREMENT BENEFITS SCHEMES

The Target Co has established superannuation funds in accordance with the Australian rule. The assets of the superannuation fund are held separately from those of the Target Co in an insured fund under the control of trustees. The only obligation of the Target Co with respect to the superannuation fund is to make 9% to 15% of the employees' gross wage to the fund. During the years ended 30 June 2002, 2003, ten months ended 30 April 2004 and ten months ended 30 April 2005, the Target Co's costs incurred on the scheme were A$263,000, A$293,000, A$351,000, A$284,000 (unaudited) and A$282,000 respectively.

22. RELATED PARTY TRANSACTIONS

During the Relevant Period, Target Co entered into the following transactions with related parties:

	For the period from				
	1.7.2001 to 30.6.2002	**1.7.2002 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**1.7.2003 to 30.4.2004**	**1.7.2004 to 30.4.2005**
	A$'000	*A$'000*	*A$'000*	*A$'000* *(Unaudited)*	*A$'000*
Purchases from shareholder of the ultimate holding company	671	853	1,002	872	738
Provision/(Repayment) of loan from/to ultimate holding company	2,076	(249)	1,565	1,895	(555)
Interest payable to ultimate holding company	556	584	716	587	587

	As at 30 June			As at 30 April
	2002	**2003**	**2004**	**2005**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Balances due to shareholder of the ultimate holding company	79	139	84	177
Loan balance due to ultimate holding company	10,684	10,435	12,000	11,445
Interest payable to ultimate holding company	–	–	–	587

B. ULTIMATE HOLDING COMPANY

As at 30 April 2005, the directors of the Target Co consider that the Target Co's ultimate holding company is Enviroguard Pty Ltd., a private limited company formed under the laws of Australia.

C. SUBSEQUENT EVENTS

There were no significant events which had taken place subsequent to 30 April 2005.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Co have been made up subsequent to 30 April 2005.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report extracted from the circular of the Company dated 25 May 2005, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix V, a copy of the following report is available for inspection. For the avoidance of doubt, all references in the following report to "Target Co" and "Target Group" shall mean "AG" and "AG Group" respectively.

Deloitte.
德勤

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25 May 2005

The Directors
CK Life Sciences Int'l., (Holdings) Inc.

Dear Sirs,

We set out below our report on the financial information set out in sections A to D (the "Financial Information") below regarding Dévelopement Santé Naturelle A.G. Ltée ("Target Co") and its subsidiary, Santé Naturelle A.G. Ltée (the "SNAG") (hereinafter collectively referred to as the "Target Group") for the period from 15 January 2003 (date of incorporation of the Target Co) to 31 December 2003 and the year ended 31 December 2004 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular dated 25 May 2005 (the "Circular") issued by CK Life Sciences Int'l., (Holdings) Inc. (the "Company") in connection with the acquisition of the entire issued share capital of the Target Co (the "Acquisition").

Target Co was incorporated under the Canada Business Corporation Act as a private limited liability company and its principal activity is investment holding. As at the date of this report, Target Co has 100% direct interest in SNAG which was incorporated on 29 November 1974 under the Canada Business Corporation Act with capital structure as follows:

Class of shares held	**Issued and fully paid share capital**
Common shares	CAD$2,700
Preferred shares, non-voting, non-participating and redeemable for the amount paid up at the option of SNAG	
Class B	CAD$104,000
Class D	CAD$10,674

The principal activities of SNAG are manufacturing, wholesaling, retailing and distributing nutraceutical products.

The financial statements of the Target Group for the period from 15 January 2003 to 31 December 2003 and the year ended 31 December 2004 which were prepared in accordance with Canadian generally accepted accounting principles, using the differential reporting options available to non-publicly accountable enterprises, were audited by Moquin Amyot, Chartered Accountants.

We have examined the audited financial statements of the Target Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information, which is expressed in Canadian Dollars, has been prepared based on the audited financial statements for the Relevant Periods of the Target Group, after making such adjustments as we consider appropriate, for the purpose of preparing our report for inclusion in the Circular.

The financial statements of the Target Group are the responsibility of the directors of the Target Co who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the financial statements of the Target Group, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and the Target Co as at 31 December 2003 and 31 December 2004 and of the profit and cash flows of the Target Group for each of the periods from 15 January 2003 to 31 December 2003 and from 1 January 2004 to 31 December 2004.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT OF THE TARGET GROUP

		For the period from	
		15.1.2003 to 31.12.2003	**1.1.2004 to 31.12.2004**
	Notes	*CAD$'000*	*CAD$'000*
Turnover	*3*	28,985	32,365
Cost of goods sold		(10,602)	(12,446)
Gross profit		18,383	19,919
Other operating income		45	2
Distribution costs		(9,809)	(11,159)
Administrative expenses		(2,400)	(2,905)
Other operating expenses		(823)	–
Profit from operations	*4*	5,396	5,857
Finance costs	5	(463)	(260)
Profit before taxation		4,933	5,597
Income tax	*6*	(2,039)	(1,826)
Profit for the period		2,894	3,771

BALANCE SHEET

		TARGET GROUP As at 31 December		TARGET CO As at 31 December	
		2003	**2004**	**2003**	**2004**
	Notes	*CAD$'000*	*CAD$'000*	*CAD$'000*	*CAD$'000*
Non-current assets					
Fixed assets	*7*	1,020	992	–	–
Goodwill	*8*	15,641	15,641	–	–
Deferred tax assets	*9*	–	33	–	–
Unlisted investment in a subsidiary, at cost		–	–	15,300	15,300
		16,661	16,666	15,300	15,300
Current assets					
Inventories	*10*	3,444	4,933	–	–
Receivables and prepayments	*11*	3,568	2,581	209	219
Bank balances and cash		–	266	128	40
		7,012	7,780	337	259
Current liabilities					
Bank loans and overdraft	*12*	6,655	5,250	–	–
Payables and accruals	*13*	2,949	3,023	186	216
Finance lease obligations	*14*	3	2	–	–
Tax liability		2,169	1,756	–	17
		11,776	10,031	186	233
Net current (liabilities) assets		(4,764)	(2,251)	151	26
Total assets less current liabilities		11,897	14,415	15,451	15,326
Non-current liabilities					
Advances to subsidiary		–	–	2,831	2,633
Other payable	*15*	4,000	2,750	4,000	2,750
Finance lease obligations	*14*	3	–	–	–
		4,003	2,750	6,831	5,383
		7,894	11,665	8,620	9,943
Capital and reserves					
Share capital	*16*	3,000	3,000	3,000	3,000
Contributed surplus	*17*	2,000	2,000	2,000	2,000
Retained earnings	*18*	2,894	6,665	3,620	4,943
		7,894	11,665	8,620	9,943

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TARGET GROUP

	For the period from 15.1.2003 to 31.12.2003	1.1.2004 to 31.12.2004
	CAD$'000	*CAD$'000*
As at beginning of period	–	7,894
Issue of class "A" shares	3,000	–
Issue of class "B" shares	2,000	–
Profit for the period	2,894	3,771
As at end of period	7,894	11,665

CONSOLIDATED CASH FLOW STATEMENT OF THE TARGET GROUP

	Notes	For the period from 15.1.2003 to 31.12.2003 CAD$'000	1.1.2004 to 31.12.2004 CAD$'000
Operating activities			
Profit from operations		5,396	5,857
Depreciation		204	232
Amortisation of goodwill		823	–
Loss on disposal of fixed assets		–	8
Interest income		(15)	(2)
Operating cash inflows before working capital changes		6,408	6,095
Increase in inventories		(1,349)	(1,489)
(Increase) decrease in receivables and prepayments		(2,513)	987
Increase in payables and accruals		1,095	74
Interest received		15	2
Income tax paid		(1,969)	(2,272)
Net cash from operating activities		1,687	3,397
Investing activities			
Purchase of subsidiary	*19*	(7,575)	–
Purchases of fixed assets		(389)	(225)
Proceeds from disposal of fixed assets		–	13
Net cash used in investing activities		(7,964)	(212)
Financing activities			
Issue of class "A" shares		3,000	–
Redemption of class "P" shares		–	(1,250)
New bank loans		6,190	1,350
Repayment of bank loans		(99)	(2,290)
Settlement of notes payable		(2,700)	–
Repayment of advance from former holding company of subsidiary		(89)	–
Repayment of finance lease obligations		(27)	(4)
Interest paid		(463)	(260)
Net cash from (used in) financing activities		5,812	(2,454)
Net (decrease) increase in cash and cash equivalents		(465)	731
Cash and cash equivalents at beginning of period		–	(465)
Cash and cash equivalents at end of period		(465)	266
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		–	266
Bank overdrafts		(465)	–
		(465)	266

NOTES TO THE FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong and on a going concern basis as it is the Company's intention to provide adequate funds for the Target Group to meet its liabilities as they fall due. The significant accounting policies, which are detailed in (a) to (l) below, adopted in preparing this Financial Information are consistent with those adopted by the Company.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards (the "HKAS") and Hong Kong Financial Reporting Standards (the "HKFRS") (hereinafter collectively referred to as the "HKFRSs") which are effective for accounting period beginning on or after 1 January 2005. The Company has early adopted HKFRS No. 3 "Business Combination", HKFRS No. 36 "Impairment of Assets" and HKFRS No. 39 "Intangible assets" in preparing its financial statements for the period beginning on 1 January 2004. Accordingly, the accounting policies of goodwill and impairment are changed in line with those of the Company in preparing the Financial Information for the period ended 31 December 2004 of the Target Group as detailed in (c) and (e) below. However, the change in the accounting policies does not have any material impact on the Financial Information of the Target Group for both periods presented.

(a) Consolidation

The consolidated financial information of the Target Group incorporates the financial information of the Target Co and its subsidiary made up to 31 December.

Results of subsidiary acquired during the period ended 31 December 2003 are included in the consolidated income statement from the effective date of acquisition to the end of the period.

(b) Fixed assets

Fixed assets are stated at cost less depreciation and accumulated impairment losses where appropriate. Depreciation is provided to write off the cost of fixed assets over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	5%
Dies	50%
Computer equipment	30%
Other assets	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

No depreciation is provided on Freehold land.

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

(c) Goodwill

Goodwill arising from acquisition of subsidiary during the financial period ended 31 December 2003 represents the excess of costs of acquisition over the net fair value of the identifiable assets and liabilities acquired. Goodwill is recognised in the consolidated balance sheet as at 31 December 2003 as an asset and amortised on a straight-line basis over its estimated useful life of 20 years. In preparing the Financial Information for the period beginning on 1 January 2004, the accounting policy for goodwill was changed such that goodwill arising on acquisition before the date of transition to FRS 3 was to be retained at the previous carrying amount subject to being tested for impairment at that date and at least annually. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed when impairment loss is subsequently reversed.

(d) Research and development expenditure

An internally-generated intangible asset arising from development is recognised only if an asset is created that can be identified and it is probable that the asset created will generate future economic benefits, and the development cost of the asset can be measured reliably. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(e) Impairment

The carrying amounts of its tangible and intangible assets at the relevant reporting date were reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. Where the carrying amount of other asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but such reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets/cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately. On adoption of HKAS 36, impairment loss recognised for goodwill is not reversed when an impairment loss is subsequently reversed.

(f) Investment in subsidiary

Investment in subsidiary is carried at cost less any identified impairment loss.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and includes all costs incurred in bringing the inventories to their present condition and location. Net realizable value is determined by the estimated selling price in the ordinary course of business less estimated costs to completion and costs expected to be incurred in marketing, selling and distribution.

(h) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably. Sale of goods is recognized when the goods are delivered and title has passed. Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(i) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group are classified as finance leases. At the inception of a finance lease, assets held under finance leases are capitalized at their fair values or, if lower, at their present values of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. The finance costs of such leases are charged to the income statement over the period of the relevant lease so as to provide a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

(j) Pension costs

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes, which are charged as an expense as they fall due, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

(k) Foreign currencies

The financial records of the Target Group are maintained in Canadian Dollars. Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates on the relevant reporting date. Gains and losses arising on exchange are dealt with in the income statement.

(l) Taxation

The charge for current taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Deferred tax liabilities are provided in full on all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

In consistent with the accounting policies adopted by the Company, the Target Co will, in the financial year beginning on 1 January 2005, adopts all the other HKFRSs which have not been early adopted in preparing these Financial Information. The Company has commenced an assessment of the impact of these HKFRSs on the financial information of the Target Group but it is not yet in a position to determine whether these HKFRSs would have a significant impact on how the results of operations and financial position are prepared and presented for the Relevant Periods and for the accounting year beginning on 1 January 2005.

2. SEGMENT INFORMATION

All the Target Group's operations are located and carried out in the province of Quebec of Canada, and the sole principal activity of the Target Group is the manufacturing, wholesaling, retailing and distributing nutraceutical products. Accordingly, no segment information by business and geographical segment is presented.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discount.

4. PROFIT FROM OPERATIONS

	For the period from	
	15.1.2003 to 31.12.2003	**1.1.2004 to 31.12.2004**
	CAD$'000	*CAD$'000*
Profit from operations has been arrived at after charging:		
Auditors' remuneration	40	52
Directors' emoluments	–	–
Staff costs	2,846	3,434
Depreciation of fixed assets	204	232
Amortisation of goodwill	823	–
Research and development cost	8	2
Operating lease charges in respect of renting of land and buildings	201	251
Loss on disposal of property, plant and equipment	–	8
and after crediting:		
Interest income from bank	15	2

Contributions to Quebec pension plan of CAD$177,000 (2004: CAD$199,000) are included in staff costs.

5. FINANCE COSTS

	For the period from	
	15.1.2003 to 31.12.2003	**1.1.2004 to 31.12.2004**
	CAD$'000	*CAD$'000*
Interest on:		
Bank loans and overdraft	226	259
Note payable	235	–
Finance leases	2	1
	463	260

6. INCOME TAX

	For the period from 15.1.2003 to 31.12.2003 *CAD$'000*	1.1.2004 to 31.12.2004 *CAD$'000*
Current tax	2,039	1,859
Deferred tax	–	(33)
	2,039	1,826

Income tax is calculated at the rate prevailing under the Canadian jurisdiction.

The tax charge for the Relevant Periods can be reconciled to the consolidated income statement as follows:

	For the period from 15.1.2003 to 31.12.2003 *CAD$'000*	1.1.2004 to 31.12.2004 *CAD$'000*
Profit before taxation	4,933	5,597
Tax charge at the domestic income tax rate of 32.29% in 2003 and 31.02% in 2004	1,593	1,736
Tax effect of non-deductible expenses	428	146
Overprovision in respect of prior year	–	(40)
Others	18	(16)
Tax expense	2,039	1,826

7. FIXED ASSETS

TARGET GROUP

	Freehold land and buildings in Canada	Plan and equipment	Computer equipment	Leasehold improvements	Dies	Furniture, fixtures and other assets	Total
	CAD$'000	*CAD$'000*	*CAD$'000*	*CAD$'000*	*CAD$'000*	*CAD$'000*	*CAD$'000*
COST							
Arising on acquisition of subsidiary	240	300	92	51	4	148	835
Additions	–	156	50	67	47	69	389
As at 31 December 2003	240	456	142	118	51	217	1,224
Additions	24	17	34	68	19	63	225
Disposals	–	(26)	(3)	–	–	–	(29)
As at 31 December 2004	264	447	173	186	70	280	1,420
DEPRECIATION							
Provided for the period and as at 31 December 2003	11	80	35	25	17	36	204
Provided for the year	11	75	36	38	28	44	232
Eliminated upon disposals	–	(7)	(1)	–	–	–	(8)
As at 31 December 2004	22	148	70	63	45	80	428
NET BOOK VALUE							
As at 31 December 2003	229	376	107	93	34	181	1,020
As at 31 December 2004	242	299	103	123	25	200	992

The net book value of telephone system held under finance leases included in furniture, fixtures and other assets amounted to CAD$ 5,767 and CAD$ 4,326 as at 31 December 2003 and 31 December 2004 respectively.

8. GOODWILL

	TARGET GROUP	
	2003	**2004**
	CAD$'000	*CAD$'000*
As at beginning of period	–	15,641
Arising on acquisition of subsidiary	16,464	–
Amortisation for the period	(823)	–
As at end of period	15,641	15,641

9. DEFERRED TAX ASSETS

Deferred tax liabilities/assets recognised by the Target Group in respect of accelerated tax depreciation and other allowable expenditure amount to CAD$1,000 and CAD$34,000 respectively. No deferred tax is recognised in relation to the financial period ended 31 December 2003 as the amount involved is insignificant.

10. INVENTORIES

	TARGET GROUP	
	As at 31 December	
	2003	2004
	CAD$'000	*CAD$'000*
Raw materials	1,248	1,743
Work in progress	609	786
Finished goods	1,587	2,404
	3,444	4,933

Apart from raw materials of CAD$38,000 held at 31 December 2004 against which full provision had been provided, all other inventories are carried at cost.

11. RECEIVABLES AND PREPAYMENTS

	TARGET GROUP		TARGET CO	
	As at 31 December		As at 31 December	
	2003	2004	2003	2004
	CAD$'000	*CAD$'000*	*CAD$'000*	*CAD$'000*
Trade receivables	3,385	2,445	–	–
Other receivables and prepayments	183	136	209	219
	3,568	2,581	209	219
Trade receivables				
Aged 0 to 30 days	2,351	1,795	–	–
Aged 31 to 60 days	777	581	–	–
Aged 61 to 90 days	257	69	–	–
	3,385	2,445	–	–

The Target Group has a policy of allowing an average credit period of 30 to 60 days to its customers.

12. BANK LOANS AND OVERDRAFT

	TARGET GROUP As at 31 December	
	2003	**2004**
	CAD$'000	*CAD$'000*
Bank loans	6,190	5,250
Bank overdraft	465	–
	6,655	5,250

Bank loans of CAD$3,900,000 and CAD$5,250,000 outstanding at 31 December 2003 and 31 December 2004 respectively was secured by a first lien realty mortgage on the land and buildings and by a first lien chattel mortgage on all present and future property.

Other bank loans and overdraft of CAD$2,755,000 outstanding at 31 December 2003 were secured by a chattel mortgage on all inventory and present and future property.

13. PAYABLES AND ACCRUALS

	TARGET GROUP As at 31 December		TARGET CO As at 31 December	
	2003	**2004**	**2003**	**2004**
	CAD$'000	*CAD$'000*	*CAD$'000*	*CAD$'000*
Trade payables	2,380	2,325	–	–
Other payables and accrued charges	569	698	186	216
	2,949	3,023	186	216
Trade payables				
Aged 0 to 30 days	1,718	1,733	–	–
Aged 31 to 60 days	654	577	–	–
Aged 61 to 90 days	5	14	–	–
Aged more than 90 days	3	1	–	–
	2,380	2,325	–	–

14. FINANCE LEASE OBLIGATIONS

	TARGET GROUP			
	Minimum lease payment As at 31 December		Present value of minimum lease payment As at 31 December	
	2003	**2004**	**2003**	**2004**
	CAD$'000	*CAD$'000*	*CAD$'000*	*CAD$'000*
Finance lease obligations payable				
within one year	4	3	3	2
within two to five years	4	–	3	–
	8	3	6	2
Less: Future finance charges	(2)	(1)	–	–
Present value of finance lease obligations	6	2	6	2
Carrying amount analysed for reporting purpose as:				
Current			3	2
Non-current			3	–

The finance leases are secured on certain telephone system with an average lease term of 3-4 years. No residual value is expected at the end of the term.

15. OTHER PAYABLE

Other payable represents redeemable preferred shares issued to finance part of the acquisition cost of the subsidiary. It is presented as a liability as it is repayable at specified dates and amount at the request of the holder. These shares are non-voting, non-participating, with no dividend and redeemable at a price of CAD$1 per share. The shares will be redeemed in terms of the financial performance reached by the Target Group and forecasted to be CAD$1,250,000 and CAD$1,500,000 in the years ended 31 December 2005 and 2006 respectively.

16. SHARE CAPITAL

Authorised:
Classes "A" shares and "B" shares, voting and participating

	As at 31 December	
	2003	2004
	CAD$'000	*CAD$'000*
Issued and paid:		
3,000,000 class "A" shares	3,000,000	3,000,000
2,000,000 class "B" shares	1	1
	3,000,001	3,000,001

Class "A" shares and class "B" shares with no par value were created on incorporation. 3,000,000 class "A" shares were issued to provide the initial capital of the Target Co. On 17 January 2003, 2,000,000 class "B" shares were issued to a shareholder to finance part of the cost of acquisition of the subsidiary.

17. CONTRIBUTED SURPLUS

	TARGET GROUP AND TARGET CO	
	2003	2004
	CAD$'000	*CAD$'000*
As at beginning of period	–	2,000
Premium on issue of class "B" shares	2,000	–
As at end of period	2,000	2,000

18. RETAINED EARNINGS

	TARGET GROUP		TARGET CO	
	2003	2004	2003	2004
	CAD$'000	*CAD$'000*	*CAD$'000*	*CAD$'000*
As at beginning of period	–	2,894	–	3,620
Profit for the period	2,894	3,771	3,620	1,323
As at end of period	2,894	6,665	3,620	4,943

19. PURCHASE OF SUBSIDIARY

The subsidiary, which was acquired in January 2003, contributed approximately CAD$28,985,000 and CAD$5,226,000 respectively, to the Target Group's turnover and profit from operations for the period from 15 January 2003 to 31 December 2003 and CAD$32,365,000 and CAD$5,767,000 for the year ended 31 December 2004.

Assets and liabilities, the amounts of which approximate to the carrying value immediately before the acquisition of subsidiary, acquired are as follows:

	CAD$'000
Fixed assets	835
Inventories	2,095
Receivables and prepayments	1,055
Bank balances and cash	1,225
Payables and accruals	(1,854)
Bank loans	(99)
Finance lease obligations	(33)
Tax liabilities	(2,099)
Advance from former holding company	(89)
Net assets acquired	1,036
Goodwill	16,464
Purchase consideration	17,500
Satisfied by:	
Cash	8,800
Class "B" shares	2,000
Preferred shares	4,000
Notes	2,700
	17,500

Net outflow of cash and cash equivalents arising on acquisition:

Cash consideration	8,800
Bank balances and cash acquired	(1,225)
	7,575

20. OPERATING LEASE COMMITMENT

Minimum lease charges payable by the Target Group under non-cancellable operating leases in respect of rented premises were as follows:

	As at 31 December	
	2003	**2004**
	CAD$'000	*CAD$'000*
Within one year	341	348
In the second to fifth year inclusive	841	550
	1,182	898

Leases range from 3 to 5 years at fixed rentals.

21. PENSION PLAN

The Quebec government levies a payroll tax on both employer and employee in order to finance the Quebec Pension Plan. Wage and salaried employees and the employer pay equally to the program at a separate contribution rate of 4.95% of payroll costs which are limited to maximum pensionable earnings per employee and after deduction of a basic exemption.

22. RELATED PARTY TRANSACTIONS

In January 2003, the Target Co acquired from a shareholder, Gestion Santé Gagnon Inc. the entire interest in the subsidiary at an agreed consideration of CAD$17,500,000 satisfied partly by the issuance of 2,000,000 Class "B" shares, 4,000,000 redeemable preferred shares of the Target Co and notes of CAD$2,700,000 bearing interest at 8% per annum to the holding company, Novacap II. Interest on the notes paid by the Target Co during the period ended 31 December 2003 amounted to CAD$235,000. The notes were fully repaid during the period ended 31 December 2003.

During the Relevant Periods, management fees calculated at 1% of the turnover of the subsidiary were charged by the following related parties for their advisory services provided to the Target Group:

	For the period ended 31 December	
	2003	**2004**
	CAD$'000	*CAD$'000*
Novacap Partenaires, Limited Partnership	297	352
Gestion Santé Gagnon Inc.	450	450

Management fees payable to the related parties at the end of the financial period included under accounts payable are:

	As at 31 December	
	2003	**2004**
	CAD$'000	*CAD$'000*
Novacap Partenaires, Limited Partnership	69	78
Gestion Santé Gagnon Inc.	113	113

Novacap Partenaires, Limited Partnership is a partner of the Target Co's holding company. The Target Group had committed for the payment of annual management fee of CAD$450,000 to Gestion Santé Gagnon Inc. for the financial period ending 31 December 2005 under the management contract.

B. ULTIMATE HOLDING COMPANY

As at 31 December 2004, the directors consider that the Target Co's ultimate holding company is Novacap II, Société en commandite, a limited partnership formed under the Laws of Quebec.

C. SUBSEQUENT EVENTS

There were no significant events which had taken place subsequent to 31 December 2004.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been made up subsequent to 31 December 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the Shares

		Number of Ordinary Shares					
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	1,500,000	–	–	2,820,008,571 (Note 1)	2,821,508,571	44.04%
Kam Hing Lam	Interest of child or spouse	–	4,150,000	–	–	4,150,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Pang Shiu Fun	Beneficial owner & interest of child or spouse	1,500,700 (Note 2)	700 (Note 2)	–	–	1,500,700	0.02%
Chu Kee Hung	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Lam Hing Chau, Leon	Beneficial owner	1,250,000	–	–	–	1,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	700,000	–	–	–	700,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	250,000	–	–	–	250,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	–	–	–	200,000	0.003%

Notes:

1. Such 2,820,008,571 Shares are held by a subsidiary of CKH. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of CKH and thus is taken to be interested in those 2,820,008,571 Shares held by the subsidiary of CKH under the SFO.

2. Such interests comprise the same block of 700 Shares jointly held by Dr. Pang Shiu Fun and his wife.

(2) Long positions in the underlying Shares

Pursuant to the share option scheme adopted by the Company on 26 June 2002 (the "Share Option Scheme"), certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for Shares, details of which as at the Latest Practicable Date were as follows:

Name of Director	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share *HK$*
Yu Ying Choi, Alan Abel	30/9/2002	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 - 18/1/2014	1.762
Pang Shiu Fun	30/9/2002	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 - 18/1/2014	1.762
Chu Kee Hung	30/9/2002	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 - 18/1/2014	1.762
Lam Hing Chau, Leon	30/9/2002	222,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	480,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	480,000	19/1/2005 - 18/1/2014	1.762

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(1) Long positions of substantial Shareholders in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	2,820,008,571	44.01%
Gotak Limited	Interest of a controlled corporation	2,820,008,571 (Note i)	44.01%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	2,820,008,571 (Note ii)	44.01%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	2,820,008,571 (Note iii)	44.01%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	2,820,008,571 (Note iii)	44.01%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	2,820,008,571 (Note iii)	44.01%
Trueway International Limited	Beneficial owner	1,410,004,286	22.01%
Tangiers Enterprises Limited	Interest of controlled corporations	1,880,005,715 (Note iv)	29.34%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,700,014,286 (Note v)	73.35%

(2) Long positions of other persons in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	470,001,429	7.34%
Cheung Ling Yuk, Larry	Beneficial owner	401,585,714 (Note vi)	6.27%

Notes:

i. This represents the same block of Shares as shown against the name of Gold Rainbow above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of Shares in which Gold Rainbow was interested under the SFO.

ii. As Gotak Limited is wholly-owned by CKH, CKH is deemed to be interested in the same number of Shares which Gotak Limited is deemed to be interested under the SFO.

iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust and TDT2 as trustee of another discretionary trust hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. Under the SFO, each of TUT as trustee of the LKS Unity Trust, TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust and TDT2 as trustee of another discretionary trust is deemed to be interested in the same block of Shares as CKH is deemed to be interested as disclosed in Note ii above.

iv. Trueway and Triluck are wholly-owned by Tangiers and Tangiers is deemed to be interested in a total of 1,880,005,715 Shares under the SFO, being the aggregate of the Shares in which Trueway and Triluck were interested as shown against the names Trueway and Triluck above.

v. This represents the aggregate of the blocks of Shares in which Tangiers and CKH are respectively deemed to be interested under the SFO. As Mr. Li Ka-shing owns the entire issued share capital of Tangiers and one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT, TDT1 and TDT2, under the SFO, Mr. Li Ka-shing is deemed to be interested in the same number of Shares in which both Tangiers and CKH are deemed to be interested as mentioned above.

vi. The interests of Mr. Cheung Ling Yuk, Larry in the share options granted by the Company are separately disclosed under the section headed "Details of Options Granted by the Company" in this Appendix.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following shareholders were interested in 10% or more of the equity interests of the following subsidiaries of the Company:

Name of subsidiary	Name of shareholder	No. and class of shares held	% of shareholding
PT Far East Agritech	PT Anggraini Mulia	60,000 ordinary shares	40%
Jiangsu Technology Union Eco-fertilizer Limited	Nanjing Red Sun Stock Co Ltd	US$6,025,234.40 registered capital	47.12%
Maanshan Technology Union Eco-Fertilizer Limited	Nanjing Red Sun Stock Co Ltd	RMB9,329,760 registered capital held through Jiangsu Technology Union Eco-fertilizer Limited	46.65%
		RMB120,000 registered capital held through Nanjing Green Union Eco-Technology Limited	0.6%
AquaTower Pty Ltd	Gotak Investment Limited	49 ordinary shares	49%
Fertico Pty. Limited	Tennant (2000) Pty Ltd	5,800 ordinary shares	40%

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

4. DETAILS OF OPTIONS GRANTED BY THE COMPANY

The Company has adopted the Share Option Scheme under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme.

As at the Latest Practicable Date, options to subscribe for an aggregate of 20,308,000 Shares granted to certain continuous contract employees (including the Executive Directors as disclosed above and the management Shareholder as disclosed below) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share *HK$*
30/9/2002	3,508,500	30/9/2003 - 29/9/2012 (Note 1)	1.598
27/1/2003	7,855,500	27/1/2004 - 26/1/2013 (Note 2)	1.446
19/1/2004	8,944,000	19/1/2005 - 18/1/2014 (Note 3)	1.762

Details of the share options granted to Mr. Cheung Ling Yuk, Larry, a management Shareholder, pursuant to the Share Option Scheme as at the Latest Practicable Date were as follows:

Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share *HK$*
30/9/2002	316,000	30/9/2003 - 29/9/2012 (Note 1)	1.598
27/1/2003	580,000	27/1/2004 - 26/1/2013 (Note 2)	1.446
19/1/2004	580,000	19/1/2005 - 18/1/2014 (Note 3)	1.762

Notes:

1. The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting period:

   (i) up to 35% of the options commencing on 30 September 2003;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

2. The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting period:

   (i) up to 35% of the options commencing on 27 January 2004;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 27 January 2005; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 27 January 2006.

3. The options are exercisable from 19 January 2005 to 18 January 2014 (both days inclusive) subject to the following vesting period:

   (i) up to 35% of the options commencing on 19 January 2005;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 19 January 2006; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 19 January 2007.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Directors, management Shareholders or their respective associates in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the GEM Listing Rules were as follows:

(1) Core business activities of the Group

(i) Research and development, commercialization, marketing and sale of biotechnology products.

(ii) Investments in financial instruments/products.

(2) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note 2)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director and Deputy Chairman (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director (Note 1)	(ii)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director	(ii)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director	(ii)
	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(i) & (ii)
	TOM Group Limited	Non-executive Director	(ii)
	CATIC International Holdings Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Hanny Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
Pang Shiu Fun	Cheung Kong (Holdings) Limited	shareholder of listed shares	(ii)
	Hutchison Whampoa Limited	shareholder of listed shares	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	shareholder of listed shares	(i) & (ii)
	TOM Group Limited	shareholder of listed shares	(ii)
Wong Yue-chim, Richard	Great Eagle Holdings Limited	Independent Non-executive Director	(ii)
	Orient Overseas (International) Limited	Independent Non-executive Director	(ii)
Kwok Eva Lee	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
	Shoppers Drug Mart Corporation	Independent Director	(i)
Colin Stevens Russel	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)

Name of Management Shareholder	Name of Company	Nature of Interest	Competing Business (Note 2)
Li Ka-shing	Cheung Kong (Holdings) Limited	Chairman (Note 1)	(ii)
	Hutchison Whampoa Limited	Chairman (Note 1)	(i) & (ii)

Notes:

1. Apart from holding the directorships, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam and/or their respective family members have direct and/or indirect interests in the shares of such companies where appropriate.

2. Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors, the management Shareholders or their respective associates have any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. DIRECTORS' INTERESTS IN CONTRACTS

(a) None of the Directors has an existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(b) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(c) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

Within the two years preceding the date of this circular, there is no contract (not being contracts entered into in the ordinary course of business) entered into by members of the Group which is or may be material.

9. EXPERT AND CONSENT

The following is the qualification of the accountant who has given its opinions in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu does not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any assets which have been since 31 December 2004, the date to which the latest published audited account of the Group were made up, acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 29 July 2005 and the references to its name included herein in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong on weekdays other than public holidays up to and including 12 August 2005:

(a) memorandum and articles of association of the Company;

(b) the 2003 and 2004 annual reports of the Company for the two financial years ended 31 December 2003 and 2004 respectively;

(c) the accountants' report on the financial information of the Target Co;

(d) the report from Deloitte Touche Tohmatsu on the unaudited proforma statement of assets and liabilities of the enlarged Group;

(e) the letter of consent from Deloitte Touche Tohmatsu referred to in the section headed "Expert and Consent" in this Appendix;

(f) the written approval given by Gold Rainbow, Trueway and Triluck in relation to the Acquisition dated 4 June 2005;

(g) the circular dated 19 April 2005 in relation to the proposed election of Directors at the annual general meeting, the proposed general mandates to issue new Shares and repurchase Shares and the continuing connected transactions - renewal of the existing CKH supply agreement and the existing Hutchison International Limited supply agreement;

(h) the accountants' report on the financial information of the AG Group; and

(i) the circular dated 25 May 2005 in relation to the acquisition of the entire issued and outstanding shares in the capital of AG.

11. OTHER INFORMATION

(a) The company secretary of the Company is Ms. Eirene Yeung who is a solicitor of the High Court of Hong Kong and of the Supreme Court of Judicature in England and Wales. She also holds a Master's degree in Business Administration.

(b) Mr. Lam Hing Chau, Leon is the qualified accountant and compliance officer of the Company. He is a fellow of Hong Kong Institute of Certified Public Accountants, CPA Australia and The Association of Chartered Certified Accountants, the United Kingdom.

(c) The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference in accordance with the provisions set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company. The existing Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel, further details of whom are set out below:

Professor Wong Yue-chim, Richard, SBS, JP, aged 53, currently serves as Deputy Vice-Chancellor of The University of Hong Kong. Professor Wong has been active in advancing economic research on policy issues in Hong Kong and Mainland China through his work as founding Director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 by the Government of Hong Kong for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. Professor Wong is currently an Independent Non-executive Director of each of Great Eagle Holdings Limited, Industrial and Commercial Bank of China (Asia) Limited, Pacific Century Insurance Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited.

Mrs. Kwok Eva Lee, aged 63, currently serves as Chair and Chief Executive Officer of Amara International Investment Corporation. Mrs. Kwok also acts as an Independent Director for Husky Energy Inc., Bank of Montreal and Shoppers Drug Mart Corporation. She is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation. Mrs. Kwok currently sits on the Audit Committee and Conduct Review Committee of the Bank of Montreal, the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., the Nominating and Governance Committee of Shoppers Drug Mart Corporation, and the Audit Committee of Cheung Kong Infrastructure Holdings Limited. She is also a member of the Conference Board of Canada's Advisory Board for the National Awards in Governance. In addition, she previously sat on the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada.

Mr. Colin Stevens Russel, aged 64, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organizations on business strategy and planning, market development, competitive positioning and risk management. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada. Mr. Russel is an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited.

(d) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(i) the Chairman of the meeting; or

(ii) at least five Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) any Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or

(iv) any Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Unless a poll is so required under the GEM Listing Rules or duly demanded and, in the latter case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

(e) There is no variation to the aggregate remuneration payable to and benefits in kind receivable by the Directors in consequence of the Acquisition.

(f) The registered office of the Company is situated at P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

(g) The head office of the Company is situated at 2 Dai Fu Street, Tai Po Industrial Estate, Tai Po, Hong Kong and the principal place of business of the Company is situated at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

(h) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(i) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

This circular (in both English and Chinese versions) ("Circular") has been posted on the Company's website at http://www.ck-lifesciences.com. Shareholders who have chosen to rely on copies of the Company's corporate communication (including but not limited to annual report, summary financial report (where applicable), half-year report, summary half-year report (where applicable), quarter report, notice of meeting, listing document, circular and proxy form) posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Circular.

Shareholders who have chosen to receive the corporate communication using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Circular posted on the Company's website will promptly upon request be sent the Circular in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communication by notice in writing to the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive printed copy of the corporate communication in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.