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If you have sold or transferred all your shares in **CK Life Sciences Int'l., (Holdings) Inc.**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

VERY SUBSTANTIAL ACQUISITION
in respect of
the acquisition of 80% of the entire issued common equity capital and
100% of the non-voting senior preferred equity capital of
Vitaquest International Holdings LLC,

CONTINUING CONNECTED TRANSACTIONS,
APPROVAL OF SERVICE CONTRACT,
PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser
to the Independent Board Committee and the Shareholders
in relation to the
Continuing Connected Transactions

道亨證券有限公司
DaoHeng Securities Ltd.
A Member of the Guoco Group

A letter from the Board is set out on pages 8 to 28 of this circular.

A notice dated 18 April 2006 convening an EGM of the Company to be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Thursday, 11 May 2006 at 9:30 a.m. is set out on pages 179 to 181 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or at any adjourned meeting thereof) should you so wish.

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.

18 April 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

The GEM 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 of the Stock Exchange 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:

"Adjusted Fully-Diluted Interests"	the number of Common Interests issued and outstanding immediately prior to the VQ Completion after the cashless exercise of the Options and upon the exercise or conversion of any other securities directly or indirectly exchangeable for or convertible into any Common Interests
"Aggregate Option Value"	an amount equal to (i) the number of all Underlying Interests multiplied by (ii) an amount equivalent to the Net Enterprise Value divided by the number of Fully-Diluted Interests
"Amended Vitaquest LLC Agreement"	the Third Amended and Restated Limited Liability Company Agreement of Vitaquest, to be executed by the members of Vitaquest at the VQ Completion
"Articles of Association"	the articles of association of the Company
"associate(s)", "connected person(s)" and "substantial shareholder(s)"	shall have the same meaning(s) ascribed to them in the GEM Listing Rules
"Board"	the board of directors of the Company
"Cause"	VQ Investor's: (i) willful failure to substantially perform his duties; (ii) conviction of a misdemeanor involving moral turpitude or felony; (iii) willful breach of a material provision of the Service Contract; (iv) willful violations of Vitaquest LLC's policies that Vitaquest determines is materially detrimental to the best interests of Vitaquest LLC; (v) misappropriation of Vitaquest LLC's funds or property; and (vi) use of alcohol or drug that interferes his performance of duties.

"Change of Control Payments"	any bonus, severance or other payment which is created or is or becomes payable by Vitaquest or any of its subsidiaries to any present or former director, stockholder, employee, consultant or other person, including pursuant to any employment agreement, benefit plan or any other contract, or any payment or benefit which accelerates, in each case as a result of the execution, delivery or consummation of the transactions contemplated by the Vitaquest Agreement
"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
"Common Interests"	the authorized Common Membership Units described in the Amended Vitaquest LLC Agreement
"Company"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
"Dao Heng"	Dao Heng Securities Limited, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Shareholders appointed by the Company
"Designated Indebtedness"	the indebtedness of Vitaquest and its subsidiaries as at VQ Completion and listed on an exhibit to the Vitaquest Agreement
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of approving, inter alia, the Vitaquest Agreement and the transactions contemplated thereunder, the Manufacturing Agreement and the transactions contemplated thereunder as well as the annual caps, the Service Contract and the proposed amendments to the Articles of Association

"Fully-Diluted Interests"	the number of Common Interests issued and outstanding as of the VQ Completion plus the number of Common Interests underlying all of the Options (assuming for such purpose that the Options had not been exercised at the time of determination of Fully-Diluted Interests) and upon the exercise or conversion of any other securities directly or indirectly exchangeable for or convertible into any Common Interests
"Garden State Nutritionals"	Garden State Nutritionals, a division of Vitaquest LLC, which in turn is a wholly-owned subsidiary of Vitaquest
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"Good Reason"	(i) removal of VQ Investor as chief executive officer of Vitaquest and Vitaquest LLC or taking of any action that would result in VQ Investor not being the most senior officer of Vitaquest LLC; (ii) relocation of the principal executive offices of Vitaquest LLC to a location more than 60 miles from the location in effect as of the effective date of the Service Contract; (iii) material breach by Vitaquest LLC of a material provision of the Service Contract and failure to rectify after 10 days' notice; (iv) failure of successor of Vitaquest LLC to assume the Service Contract; (v) any material reduction in the benefits provided pursuant to the Service Contract (which has not been cured within thirty days after written notice thereof is provided by VQ Investor to Vitaquest LLC specifically identifying such reduction in reasonable detail); and (vi) any action by the members of Vitaquest other than VQ Investor or his affiliates or relatives that causes VQ Investor or his designee(s) not to be appointed to the board of directors of Vitaquest.
"Group"	the Company and its subsidiaries

"GSN Products"	dietary supplement, food and cosmetic lines of products
"Independent Board Committee"	an independent committee of the Board consisting of the Independent Directors, namely, Professor Wong Yue-chim, Richard, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel
"Independent Directors"	the independent non-executive directors of the Company from time to time
"Issuable Option Interests"	the number equal to: (i) the difference between (x) the Aggregate Option Value and (y) the aggregate of the exercises prices of all of the Options; divided by (ii) an amount equivalent to the Net Enterprise Value divided by the number of Fully-Diluted Interests
"Latest Practicable Date"	12 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Liquidating Trust"	the trust to be established by the VQ Vendors (on behalf of the Optionholders) which shall: (i) consist of one unit of beneficial interest for each Issuable Option Interest; and (ii) have as its sole purpose to receive and distribute to the Optionholders any amounts paid to it under the Vitaquest Agreement
"Manufacturing Agreement"	the manufacturing agreement dated 17 March 2005 between Vitaquest LLC and Nu-Life as amended on 27 March 2006
"Model Code"	Model Code on Securities Transactions by Directors adopted by the Company
"MOP I Holdings"	MidOcean Partners Vita I Corp., a corporation incorporated under the laws of the state of Delaware, US
"MOP I Partners"	MidOcean Partners, LP, a limited partnership established under the laws of the Cayman Islands
"MOP II Holdings"	MidOcean Partners Vita II Corp., a corporation incorporated under the laws of the state of Delaware, US
"MOP II Partners"	MidOcean Partners II, LP, a limited partnership established under the laws of the Cayman Islands

"Net Enterprise Value"	US$345 million (approximately HK$2,684.1 million), less (i) the Designated Indebtedness less the cash held by Vitaquest and any of its subsidiaries as of the date of the VQ Completion, (ii) the amount equal to the initial investment amount with respect to the Vitaquest Senior Preferred Interests and the accrued but unpaid distributions with respect thereto, (iii) the Change of Control Payments, and (iv) the Preliminary Adjustment Amount
"Normalized EBITDA"	earnings before interest, taxes, depreciation and amortization adjusted for items such as VQ Vendors' private company expenses, transaction related fees and non-recurring expenses
"Normalized EBIT"	earnings before interest and tax adjusted for items such as VQ Vendors' private company expenses, transaction related fees and non-recurring expenses
"Nu-Life"	Nu-Life Corp., a corporation established under the laws of Ontario, Canada
"Option(s)"	option(s) for the purchase of non-voting common interest of Vitaquest issued pursuant to the option agreements entered into by Vitaquest
"Optionholders"	the holders of the Options
"PRC"	The People's Republic of China
"Preliminary Adjustment Amount"	the amount by which the estimated working capital of Vitaquest falls short of its target working capital as specified in the Vitaquest Agreement
"Products"	the GSN Products and the Windmill Products
"Purchase Price Percentage"	the pro-rata percentage of the Common Interests owned by each VQ Vendor (excluding Steven Gilbert and Steven Kotler) as at VQ Completion
"Purchaser"	CK Life Sciences Int'l., Inc., a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
"Service Contract"	the service contract to be entered into between Vitaquest LLC and VQ Investor upon the VQ Completion
"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 the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underlying Interests"	with respect to an Option, the number of membership interests underlying such Option prior to the exercise thereof
"US"	the United States of America
"US GAAP"	generally accepted accounting principles in the US
"Vitaquest"	Vitaquest International Holdings LLC, a limited liability company established under the laws of the state of Delaware, US
"Vitaquest Acquisition"	the acquisition of 80% of the Common Interests of Vitaquest and all of the Vitaquest Senior Preferred Interests under the Vitaquest Agreement
"Vitaquest Agreement"	the purchase agreement dated 3 February 2006 entered into between the Purchaser, Vitaquest and the VQ Vendors in relation to the Vitaquest Acquisition
"Vitaquest LLC"	Vitaquest International LLC, a wholly-owned subsidiary of Vitaquest, being a limited liability company established under the laws of the state of Delaware, US and engaged in the business of supplying and manufacturing nutritional supplements
"Vitaquest Senior Preferred Interests"	all the issued and outstanding non-voting senior preferred limited liability company interests of Vitaquest which has a face value of US$20 million (approximately HK$155.6 million) and which carries a cumulative preferred dividend of 12% per annum
"VQ Completion"	completion of the Vitaquest Agreement
"VQ Group"	Vitaquest and its subsidiaries
"VQ Investments"	VQ Investments, Inc., a corporation incorporated under the laws of the state of Delaware, US

"VQ Investor"	Keith Frankel, an individual investor in Vitaquest who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons prior to the VQ Completion
"VQ Purchase Price"	an aggregate purchase price (subject to downward adjustment based on the working capital of Vitaquest as at VQ Completion in accordance with the formula as stipulated in the Vitaquest Agreement) of the assets to be acquired by the Purchaser under the Vitaquest Agreement
"VQ Vendors"	MOP I Partners, MOP II Partners, Steven Kotler, Steven Gilbert and VQ Investments
"Windmill"	Windmill Health Products, a division of Vitaquest LLC, which in turn is a wholly-owned subsidiary of Vitaquest
"Windmill Products"	products distributed by Windmill under its own brands or third party brands
"HK$"	the lawful currency of the Hong Kong Special Administrative Region of the PRC
"US$"	US dollars, the lawful currency of the US

For the purpose of illustration only, US$ to HK$ is translated at a rate of US$1.00 = HK$7.78 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, Technology and Production Development*

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

Registered Office
P.O. Box 309GT
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Grand Cayman
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Head Office
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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

18 April 2006

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
in respect of
the acquisition of 80% of the entire issued common equity capital and
100% of the non-voting senior preferred equity capital of
Vitaquest International Holdings LLC,

CONTINUING CONNECTED TRANSACTIONS,
APPROVAL OF SERVICE CONTRACT,
PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Directors refer to the announcement of the Company dated 3 February 2006 in relation to the Vitaquest Agreement entered into between the Purchaser, Vitaquest and the VQ Vendors, which are, and the ultimate beneficial owners of which are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons, whereby the VQ Vendors agreed to sell and the Purchaser agreed to purchase (or to procure another company within the Group to purchase) the entire issued share capital of MOP I Holdings and MOP II Holdings and such number of the membership interests of Vitaquest held by VQ Investments such that upon the VQ Completion, the Purchaser shall own, directly and indirectly (through MOP I Holdings and MOP II Holdings), common membership interests representing an 80% interest in the capital and profits of Vitaquest plus 100% of the Vitaquest Senior Preferred Interests.

The Directors also refer to the announcement of the Company dated 30 March 2006 in relation to, among other things, (I) the continuing connected transactions of the Group after the VQ Completion relating to the Manufacturing Agreement between Vitaquest LLC and Nu-Life; and (II) the Service Contract.

In addition, the Directors refer to the announcement issued by the Stock Exchange on 17 February 2006 respecting certain minor and housekeeping amendments to the GEM Listing Rules effective from 1 March 2006 and the proposed amendments to the Articles of Association.

The purpose of this circular is to give you further information in relation to (A) the Vitaquest Acquisition, (B) the Manufacturing Agreement, (C) the Service Contract and (D) the proposed amendments to the Articles of Association. It also sets out the letter from the Independent Board Committee containing its recommendation to the Shareholders, the letter from Dao Heng containing its recommendation to the Independent Board Committee and the Shareholders and the letter from the Remuneration Committee of the Company to the Shareholders.

(A) VITAQUEST ACQUISITION

(1) THE AGREEMENT

Date: 3 February 2006

Parties:

(i) the Purchaser, an indirect wholly-owned subsidiary of the Company;

(ii) Vitaquest; and

(iii) the VQ Vendors, which are, and the ultimate beneficial owners of which are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons.

(2) ASSETS TO BE ACQUIRED

(i) To acquire from MOP I Partners the entire issued share capital of MOP I Holdings, the sole asset of which is its interest in 22.82% of the Common Interests of Vitaquest;

(ii) To acquire from MOP II Partners, Steven Kotler and Steven Gilbert the entire issued share capital of MOP II Holdings, the sole asset of which is its interest in 37.18% of the Common Interests of Vitaquest;

(iii) To acquire from the Liquidating Trust, on behalf of the Optionholders, 100% of the Common Interests of Vitaquest held by the Liquidating Trust immediately prior to the VQ Completion (which is expected to amount to approximately 7% of the Adjusted Fully-Diluted Interests);

(iv) To acquire from VQ Investments such number of the Common Interests of Vitaquest equivalent to the difference between (i) 80% of the total number of Adjusted Fully-Diluted Interests; and (ii) the total number of Common Interests of Vitaquest owned by MOP I Holdings, MOP II Holdings and the Liquidating Trust on behalf of the Optionholders immediately prior to the VQ Completion; and

(v) To acquire from VQ Investments 100% of the Vitaquest Senior Preferred Interests.

After the VQ Completion, the Purchaser (or any other company within the Group) shall own 80% of the Common Interests of Vitaquest and all of the Vitaquest Senior Preferred Interests.

(3) CONSIDERATION

The enterprise value of Vitaquest amounts to US$345 million (approximately HK$2,684.1 million). Based on the latest information available, the VQ Purchase Price (subject to downward adjustment based on the working capital of Vitaquest as at VQ Completion in accordance with the formula as stipulated in the Vitaquest Agreement) is currently expected to be approximately US$161 million (approximately HK$1,252.6 million), being the aggregate purchase price for (a) 80% of the Common Interests of Vitaquest (including such Common Interests of Vitaquest held by the Liquidating Trust on behalf of the Optionholders following the cashless exercise of all the Options prior to VQ Completion), the aggregate purchase price of which is currently expected to be approximately US$139 million (approximately HK$1,081.4 million); and (b) 100% of the Vitaquest Senior Preferred Interests, the aggregate purchase price of which is currently expected to be approximately US$22 million (approximately HK$171.2 million). In addition, based on the latest information available, Vitaquest has debts which are currently estimated to be in the amount of approximately US$149 million (approximately HK$1,159.2 million) and the Purchaser shall cause an equivalent amount to be funded to Vitaquest upon VQ Completion for repayment of such debts. The Directors currently intend that the VQ Purchase Price and the amount equivalent to Vitaquest's debts will be funded by internal resources of the Group and/or financing from other sources, such as bank borrowings. The VQ Purchase Price, save for an amount of US$8 million (approximately HK$62.2 million) which will be placed in escrow with an escrow agent mutually agreed between the parties on VQ Completion, shall be paid upon VQ Completion.

In addition, in the event that the Normalized EBITDA of Vitaquest based on Vitaquest's audited consolidated financial statement for the year ending 31 December 2006 is equal to or greater than US$39.5 million (approximately HK$307.3 million) the Purchaser shall pay to the VQ Vendors (excluding Steven Gilbert and Steven Kotler) in accordance with their respective Purchase Price Percentages an aggregate amount equal to US$4 million (approximately HK$31.1 million) which is currently expected to be funded by internal resources of the Group.

(4) CONDITIONS

The respective obligations of each party to the Vitaquest Agreement and the VQ Completion are subject to the satisfaction or waiver prior to or at VQ Completion of, among others, the following conditions:

(i) all consents of, or declarations or filings with, or expirations of waiting periods imposed by, any governmental entity necessary for the consummation of the Vitaquest Acquisition shall have been obtained or filed or shall have occurred;

(ii) no applicable law, judgment or injunction enacted, entered, promulgated, enforced or issued by any governmental entity or other legal restraint or prohibition preventing the consummation of the Vitaquest Acquisition shall be in effect;

(iii) MOP I Holdings, MOP II Holdings, VQ Investments and the VQ Investor shall have executed and delivered the Amended Vitaquest LLC Agreement;

(iv) Shareholders shall have approved the Vitaquest Agreement at the EGM (or any adjournment thereof);

(v) Vitaquest's Normalized EBITDA as per its audited financial statements for the year ended 31 December 2005 is not less than US$29.6 million (approximately HK$230.3 million); and

(vi) a company within the Group and Vitaquest shall enter into a management agreement pursuant to which Vitaquest shall pay to such company 1% of Vitaquest's and its subsidiaries' gross revenue for professional management services to be provided by such company to Vitaquest.

The Vitaquest Agreement may be terminated by either the Purchaser or the VQ Vendors and the Vitaquest Acquisition contemplated by the Vitaquest Agreement may be abandoned at any time prior to the VQ Completion if any of the conditions precedent under the Vitaquest Agreement shall have become incapable of fulfillment or shall not have been satisfied or waived by the Purchaser or the VQ Vendors (as the case may be).

(5) VQ COMPLETION

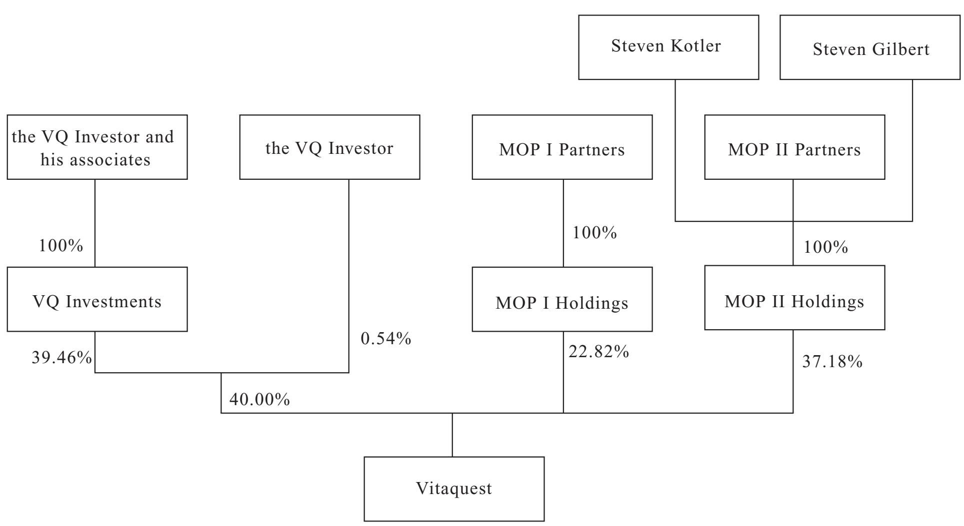
Completion of the Vitaquest Agreement will take place as soon as practicable after all the conditions precedent (other than such conditions that by their nature are to be satisfied at the VQ Completion) have been satisfied (or, to the extent permitted, waived by the parties entitled to the benefits thereof), or at such other time and date as shall be mutually agreed between the Purchaser and the VQ Vendors.

(6) INFORMATION ON VITAQUEST

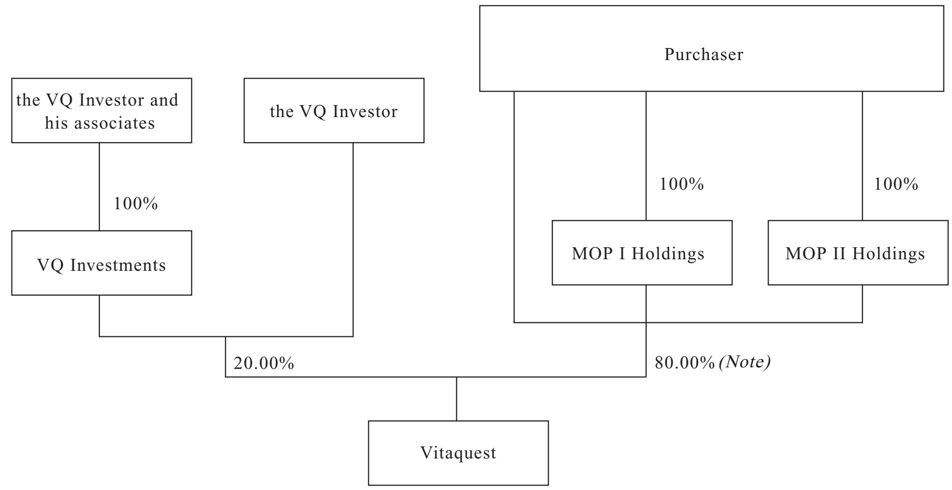
Vitaquest is a Delaware limited liability company, the operations of which are in the US and which is engaged in the business of supplying and manufacturing nutritional supplements worldwide. Garden State Nutritionals, one of the two main operating divisions of Vitaquest, formulates, develops and manufactures custom dietary supplements. Garden State Nutritionals serves companies in more than 35 countries worldwide. Windmill, Vitaquest's distribution arm, sells Vitaquest's own branded as well as third party products to mass merchants, drug store chains, independent pharmacies, supermarket and health food stores.

The following charts show the holding structures of the Common Interests of Vitaquest before and after the VQ Completion:

Before the VQ Completion:



After the VQ Completion:



Note: Comprising the Common Interests of Vitaquest acquired from MOP I Partners, MOP II Partners, VQ Investments and the Liquidating Trust after cashless exercise of the Options prior to the VQ Completion. To the best of the Company's knowledge, Vitaquest has no other options or convertible securities other than the Options. Pursuant to the Vitaquest Agreement, all the outstanding Options will be exercised on a cashless basis prior to VQ Completion resulting in the Liquidating Trust holding approximately 7% of the Adjusted Fully-Diluted Interests on behalf of the Optionholders immediately prior to VQ Completion.

The Company has taken into account the following factors in determining the VQ Purchase Price 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 Vitaquest; (iii) the synergistic effects and strategic value of Vitaquest on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group.

Based on Vitaquest's audited accounts, Vitaquest's Normalized EBIT from continuing operations for the year ended 31 December 2005 were US$32.3 million (approximately HK$251.3 million) while the Normalized EBITDA from continuing operations for the year ended 31 December 2005 were US$34.7 million (approximately HK$270.0 million), compared with Normalized EBIT from continuing operations of US$31.4 million (approximately HK$244.3 million) and Normalized EBITDA from continuing operations of US$33.7 million (approximately HK$262.2 million) for the year ended 31 December 2004.

Vitaquest's Normalized EBIT and Normalized EBITDA for the year ended 31 December 2005 were arrived at after adjusting for the following non-recurring items which will discontinue after the VQ Completion: (1) US$11.8 million (approximately HK$91.8 million) of transactional expenses related to the recapitalization of Vitaquest in March 2005; (2) US$7.1 million (approximately HK$55.2 million) of the VQ Vendors' private company expenses; (3) US$1.8 million (approximately HK$14 million) of start-up costs for new facilities and new product lines; and (4) US$3.2 million (approximately HK$24.9 million) of non-recurring salary, bonuses and commission paid to staff.

The audited net losses from continuing operations before tax and extraordinary items were US$7.4 million (approximately HK$57.6 million) and the audited net losses from continuing operations after tax were US$7.4 million (approximately HK$57.6 million) for the year ended 31 December 2005, compared with audited net profits from continuing operations before tax and extraordinary items of US$24.4 million (approximately HK$189.8 million) and audited net profits from continuing operations after tax of US$24.2 million (approximately HK$188.3 million) for the year ended 31 December 2004. The net losses in 2005 were mainly attributable to the non-recurring items described above. Vitaquest also incurred interest expenses of (1) US$10.8 million (approximately HK$84.0 million) on bank debt of approximately US$139.0 million (approximately HK$1,081.4 million); (2) US$1.9 million (approximately HK$14.8 million) on senior preferred interest of US$20.0 million (approximately HK$155.6 million); and (3) US$3.1 million (approximately HK$24.1 million) on convertible preferred interest of US$33.2 million (approximately HK$258.3 million). The above debt and preferred interests were used to finance part of the recapitalization exercise in March 2005 (and which did not exist in the year 2004). The senior preferred interest will form part of the Vitaquest Acquisition whereas the convertible preferred interest will be converted into common equity interests and form part of the Vitaquest Acquisition. After the VQ Completion, a new tax and financing structure will be put in place, therefore the historical interest expenses may or may not be indicative of the expense level in the future. The audited total assets as of 31 December 2005 were US$68.3 million (approximately HK$531.4 million) while the audited net liabilities as of 31 December 2005 were US$154.8 million (approximately HK$1,204.3 million). The net liabilities were the result of the bank debt, senior preferred interests and convertible preferred interests mentioned above.

(7) MANAGEMENT DISCUSSION AND ANALYSIS

On Vitaquest

For the year ended 31 December 2005

Vitaquest recorded revenue of US$143.0 million (approximately HK$1,112.5 million) for the year ended 31 December 2005, a slight 1.0% improvement from the previous year. Decline in sales to three shorter-term customers who together accounted for about 36.8% of the revenue in 2004 was more than compensated for by the increase in sales to other longer-term customers. Gross margin in 2005 was 35.5% in 2005, down from 42.0% in 2004 due to:

i. non-recurring start-up costs of US$1.4 million (approximately HK$10.9 million) related to the new Florida production plant and new product development;

ii. non-recurring direct labour cost of US$0.8 million (approximately HK$6.2 million). These positions were eliminated due to automation and streamlining; and

iii. product mix.

Operating profit was US$8.3 million (approximately HK$64.6 million) for the year ended 31 December 2005, compared to US$25.7 million (approximately HK$199.9 million) for the previous year. The decrease was mainly due to a number of non-recurring expenses, including

i. US$11.8 million (approximately HK$91.8 million) of transactional expenses related to the recapitalization of Vitaquest in March 2005. This includes legal fees, accountants fees, broker fees and deal bonuses;

ii. US$7.1 million (approximately HK$55.2 million) of the VQ Vendors' private company expenses. This includes expenses not related to Vitaquest's operations such as charitable donations and management fees paid to the VQ Vendors. It also includes an amount written off on advances to a related party. When Vitaquest was wholly-owned by the VQ Investor and his associates, it frequently advanced money to a company controlled by the VQ Investor and his associates to meet this related party's cash requirements. When the related party failed to pay, Vitaquest simply wrote off the advances. This will cease after the VQ Completion;

iii. US$0.4 million (approximately HK$3.1 million) in start-up costs related to the new Florida production plant and new product development; and

iv. US$2.5 million (approximately HK$19.5 million) of non-recurring salary, bonuses and commission related to eliminated positions, and changes in commission and profit-sharing structure.

Vitaquest has about 660 full-time-equivalent employees. Total remuneration for the year ended 31 December 2005 was US$19.7 million (approximately HK$153.3 million). Remuneration for its sales staff is commission-based while other employees are paid a salary plus discretionary bonus. Stock options were granted to certain employees in March 2005 as part of the recapitalization exercise, and such options will all be exercised prior to the VQ Completion and form part of the Vitaquest Acquisition.

Vitaquest has unused credit facilities of US$13.2 million (approximately HK$102.7 million) as of 31 December 2005. The annual capital expenditure of about US$2.6 million (approximately HK$20.2 million) is expected to be funded by internal resources.

Vitaquest's capital structure as of 31 December 2005 consisted of members' deficit of US$154.8 million (approximately HK$1,204.3 million), senior preferred interests of US$21.9 million (approximately HK$170.4 million), convertible preferred interests of US$36.3 million (approximately HK$282.4 million) and borrowings of US$139.5 million (approximately HK$1,085.3 million). The members' deficit was a result of the recapitalization exercise in March 2005, and has no relation with Vitaquest's results from operation. The senior preferred interests will form part of the Vitaquest Acquisition while the convertible preferred interests will all be converted into common equity interests prior to the VQ Completion and form part of the Vitaquest Acquisition. Borrowings consist of bank overdraft of US$1.8 million (approximately HK$14.0 million), secured bank loans of US$137.2 millions (approximately HK$1,067.4 million) and finance lease obligations of US$0.5 million (approximately HK$3.9 million).

The terms of the secured bank loans and bank overdraft contain change of control provisions which will be triggered by the VQ Completion, thus the Company has undertaken to procure the refinancing thereof. All of Vitaquest's assets have been pledged to the lending banks to secure the bank loans and bank overdrafts under a fixed and floating charge.

For the year ended 31 December 2004

Revenue increased by 9.5% to US$141.6 million (approximately HK$1,101.6 million) compared to the previous year. Decline in sales to one customer was offset by significant increases in two other customers. Gross margin improved to 42.0% from 40.6% the previous year, mainly due to reduction in lower margin sales and increase in higher margin sales.

Operating profit improved by US$7.1 million (approximately HK$55.2 million) compared to the previous year. Operating margin improved from 14.3% to 18.1% driven by increased sales in higher margin products and increased fixed cost absorption from increased sales. Staff costs were US$18.1 million (approximately HK$140.8 million).

Capital structure consisted of members' interests of US$51.9 million (approximately HK$403.8 million) and borrowings of US$20.2 million (approximately HK$157.2 million). Borrowings consist of bank overdrafts of US$3.1 million (approximately HK$24.1 million), secured bank loans of US$16.3 million (approximately HK$126.8 million) and finance lease obligations of US$0.8 million (approximately HK$6.2 million).

For the year ended 31 December 2003

Sales revenue for the year ended 31 December 2003 was US$129.3 million (approximately HK$1,006.0 million). Gross margin was 40.6%. Operating margin was 14.3%. Staff costs were US$18.3 million (approximately HK$142.4 million).

Capital structure consisted of members' interests of US$37.5 million (approximately HK$291.8 million), borrowings of US$23.8 million (approximately HK$185.2 million) and note payable to a member of US$4.2 million (approximately HK$32.7 million). Borrowings consist of bank overdrafts of US$2.6 million (approximately HK$20.2 million), secured bank loans of US$20.1 million (approximately HK$156.4 million) and finance lease obligations of US$1.1 million (approximately HK$8.6 million).

On the Group

For the year ended 31 December 2005

Financial Resources, Liquidity and Treasury Policies

The Group continued to maintain a sound liquidity position in 2005. It derived its financial resources mainly from internal resources and bank borrowings. As at 31 December 2005, the total assets amounted to HK$3,680,883,000 of which marketable securities were HK$1,773,082,000 and total bank balances and cash were HK$372,433,000. The marketable securities generated a total investment income of HK$215,038,000 while the total bank balances and cash generated a total interest income of HK$14,200,000 for the year.

As at 31 December 2005, the total liabilities were HK$896,796,000, comprising bank loans amounted to HK$554,280,000. The bank loans were obtained to finance the acquisitions of the three overseas subsidiaries during the year as well as to fund the daily operation of some overseas subsidiaries. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, an overseas subsidiary had also pledged to a bank all its assets which had a carrying value of HK$160,627,000 as at 31 December 2005 for the bank loans of approximately HK$373,650,000. As a result of these bank loans, the gearing ratio of the Group, which is based on total bank borrowings over total equity, was increased from 0.03 in 2004 to 0.2 in 2005. The net asset value of the Group was HK$0.43 per share.

In view of the quick globalization of its business, the Group has centralized its treasury functions at the head office for better management of foreign exchange risk as well as more cost effectiveness in funding arrangement. The Group would monitor regularly and closely its funding requirements locally and overseas in order to reduce its exposures on currency and interest rate fluctuations. In addition, each operating entity within the Group would borrow in local currencies, wherever necessary and possible, in order to minimize its currency risk.

Material Acquisitions/Disposals and Significant Investments

During the year, the Group completed the acquisitions of three overseas companies: Développement Santé Naturelle A.G. Ltée, a Canadian nutraceutical company in May; Envirogreen Pty Limited, an Australian company specializing in horticultural products and Nuturf Australia Pty Ltd, an Australian company engaging in the distribution of turf management products, both in August. The total consideration for these acquisitions amounted to approximately HK$513,262,000.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$94,286,000 for the year 2005.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2005, the total capital commitments by the Group amounted to HK$2,481,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

Information on Employees

With the continuous growth of the existing business and the acquisition of three more overseas subsidiaries in 2005, the number of full-time employee of the Group was increased to 775 at the end of the year, an 89% more or 364 additional headcount as compared to the year end of 2004. These employees were stationed in various locations - 230 employees in Hong Kong, 315 in China, 159 in Australia and 71 in Canada. The total staff costs, including directors' emoluments, amounted to approximately HK$172,579,000 for the year 2005.

The Group's remuneration policies and fringe benefits remained basically the same as before. The Group would ensure the pay levels of its employees are competitive and are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2005.

For the year ended 31 December 2004

Financial Resources, Liquidity and Treasury Policies

As at 31 December 2004, the net asset value of the Group was about HK$2,795,705,000, representing HK$0.44 per share. The total bank balances and cash amounted to HK$442,850,000, of which HK$157,000,000 was applied to fund its business expansion and research and development activities. Since the new subsidiary companies had maintained loans, the Group started to record total borrowings of HK$94,322,000 in 2004. As such, the gearing ratio, which is borrowings over shareholders' fund, was 0.03.

The Group has maintained the same investment and treasury policies as before in managing its financial instruments and foreign currency exposures. With the aim to achieve higher return for the Group, a total sum of about HK$1,862,188,000 was invested in different financial instruments at the end of the year, from which an investment income of about HK$204,423,000 was recorded.

Material Acquisition/Disposals and Significant Investment

The Group acquired an Australian fertilizer company Paton Fertilizers Pty Ltd during the year. The Group continued to invest significantly in research and development activities and such investment amounted to about HK$91,384,000 in 2004.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of the end of 2004, the total capital commitments by the Group amounted to HK$15,597,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

Information on Employees

The expansion of the Group's business, particularly in China and Australia, had resulted in an increase in the total staff number from 298 in 2003 to 411 in 2004. The additional headcount was mainly to cope with the increasing marketing and research and development activities. The total staff costs, including directors' emoluments, amounted to approximately HK$105,636,000 for 2004.

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. Besides, a share option scheme has been adopted as a long-term incentive scheme for the employees. Recreational, social and sport activities were also arranged for the employees during the year.

Contingent Liabilities

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

For the year ended 31 December 2003

Financial Resources, Liquidity and Treasury Policies

As at 31 December 2003, the total non-current assets amounted to HK$2,515,897,000 which is about 2% increase as compared to that of HK$2,469,723,000 in 2002. The total current assets stood at HK$343,832,000, of which HK$240,258,000 were cash and bank balances. While there were no non-current liabilities at the year end of 2003, the current liabilities were HK$46,292,000 which comprised mainly non-trade creditors. The current ratio of the Group, which is a ratio of current assets to current liabilities, was at the level of about 7 to 1 at the end of 2003. The shareholders' equity amounted to HK$2,813,316,000 and its net asset value per share was HK$0.44.

During the year the Group adhered to a prudent financial management and treasury policy. As it has been financing its operations and investing activities from its own resources without any bank borrowings, the gearing ratio of the Group, which is net borrowings over shareholders' funds, remained to be zero. As such, none of the assets of the Group have been pledged or mortgaged as collateral for bank loans during the year.

Funds not yet utilized were invested in financial instruments such as bonds and notes. The total investments in financial instruments as at 31 December 2003 were about HK$2,223,477,000, from which an investment income of about HK$186,632,000 was generated.

During the year, most of the income and expenditure of the Group were denominated in either Hong Kong dollars or U.S. dollars. However, as Hong Kong dollars have been pegged to the U.S. dollars, the impact of such exposure on the Group was not significant during the year. Therefore, the Group did not adopt any financial instruments to hedge against its currency risks.

Material Acquisition/Disposal and Significant Investment

In 2003, the Group had neither any material acquisition nor disposal. With the aim to become a world-class biotechnology company, the Group continued to invest significantly in research and development activities. Such investment amounted to HK$73,562,000 in 2003.

Capital Commitments and Future Plans for Material Investments or Capital Assets

At the end of 2003, the total capital commitments by the Group in respect of the acquisition of laboratory instrument, plant and equipment that have contracted but not provided for in the financial statements amounted to HK$14,757,000.

Information on Employees

The total headcount was 298 in 2003. The total staff costs, including Directors' emoluments, amounted to approximately HK$120,139,000 for the year.

The Group's remuneration policies were in line with the market trend and were determined on the basis of the performance and experience of individual employees. In addition to the basic salaries, the employees also enjoyed other fringe benefits such as a provident fund, a medical plan and a share option scheme.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2003.

(8) REASONS FOR ENTERING INTO THE VITAQUEST AGREEMENT

Vitaquest is one of the leading manufacturers and marketers of branded nutritional products in the US, and the largest in custom contract manufacturing. Its vitamins, minerals and nutritional supplements, marketed under its own brands as well as third party brands, are sold in major pharmacies, grocery stores and mass market retailers throughout North America. The purchase of Vitaquest will enable the Group to accelerate the development of its global nutraceutical business.

(9) FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

(a) Net tangible assets

As at 31 December 2005, the audited net tangible assets of the Group were about HK$2,045.4 million. After the Vitaquest Acquisition, the unaudited proforma statement of net tangible liabilities of the enlarged Group will be about HK$35.7 million. The decrease of approximately 102% is mainly attributable to goodwill and other intangible assets arising from the Vitaquest Acquisition of HK$1,884.0 million.

(b) Earnings

The Group recorded an audited consolidated net profit after tax of HK$10.8 million for the year ended 31 December 2005. The VQ Group recorded an audited net loss after tax from continuing operations of US$7.4 million (approximately HK$57.6 million) during the year ended 31 December 2005. As mentioned in the Section "Information on Vitaquest" above, the VQ Group's Normalized EBIT and EBITDA from continuing operations were US$32.3 million (approximately HK$251.3 million) and US$34.7 million (approximately HK$270.0 million) respectively for the year ended 31 December 2005. Given the track record, earnings ability, distribution network and customer base of the VQ Group and the synergies to be realized by the Group from the Vitaquest Acquisition, the Vitaquest Acquisition should be earnings-accretive to the enlarged Group in the future.

(c) Liabilities

As at 31 December 2005, the Group's gearing ratio was 19.9%. After the Vitaquest Acquisition, the unaudited proforma gearing ratio of the enlarged Group will be 99.1%. The increase is mainly attributable to US$150 million (approximately HK$1,167.0 million) of bank borrowing to refinance Vitaquest's existing bank debt, and HK$854.5 milliion bank borrowing incurred to acquire the equity and senior preferred interests in Vitaquest.

The transaction contemplated in the Vitaquest Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and accordingly, will be subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Vitaquest Agreement, and no Shareholder is required to abstain from voting on the resolutions to approve the Vitaquest Agreement at the EGM. On 3 February 2006, the Company received from a closely allied group of Shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolutions for approving the Vitaquest Agreement at the EGM. Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited together hold approximately 73.35% of the issued share capital of the Company and they have no interest in the Vitaquest Agreement or any transaction contemplated thereunder other than through their equity interest in the Company.

(B) MANUFACTURING AGREEMENT

(1) MANUFACTURING AGREEMENT DATED 17 MARCH 2005 AS AMENDED ON 27 MARCH 2006

As mentioned above, after the VQ Completion, the Company will own 80% of the Common Interests of Vitaquest and all of the Vitaquest Senior Preferred Interests. The VQ Investor and his associates are and will, after the VQ Completion, remain to be substantial shareholders of Vitaquest. Nu-Life is an associate of the VQ Investor and will therefore become a connected person of the Company after the VQ Completion.

Vitaquest LLC, of which Garden State Nutritionals and Windmill form part, had started to manufacture and supply the Products to Nu-Life since 1987. The aggregate sales received by Vitaquest LLC from Nu-Life for the year ended 31 December 2005 amounted to approximately US$3,072,000 (approximately HK$23,900,000). The Manufacturing Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company after the VQ Completion.

(a) Parties to the Manufacturing Agreement

(i) Vitaquest LLC

(ii) Nu-Life

(b) Terms of the Manufacturing Agreement

Nu-Life appointed (i) Garden State Nutritionals (a division of Vitaquest LLC) as the manufacturer and source of supply for Nu-Life's GSN Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all GSN Products (including any additional GSN Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Garden State Nutritionals; and (ii) Windmill (a division of Vitaquest LLC) as the manufacturer and source of supply for Nu-Life's Windmill Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all Windmill Products (including any additional Windmill Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Windmill.

The parties to the Manufacturing Agreement shall modify, from time to time, the prices for the Products so as to reflect the then prevailing market prices for the Products. Payment terms under the Manufacturing Agreement are COD (Cash On Delivery).

The term of the Manufacturing Agreement is for three years from 27 March 2006 and shall be renewable upon mutual agreement between the parties for an additional period of one year. Pursuant to Rule 20.41 of the GEM Listing Rules, in the event of a renewal of the Manufacturing Agreement, the

Company will comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. If either party materially breaches the Manufacturing Agreement and fails to remedy such breach within 30 days, then the non-defaulting party may terminate the Manufacturing Agreement by 90 days' prior written notice. In addition, Vitaquest LLC may terminate the Manufacturing Agreement at any time during the term thereof by 30 days' prior written notice.

(2) REASONS FOR THE TRANSACTIONS

The manufacture and sales of the Products pursuant to the Manufacturing Agreement have been part of the normal commercial activities of Vitaquest. The continuation of the Manufacturing Agreement will be in the best interest of Vitaquest as well as the Group after the VQ Completion as it will avoid causing unnecessary disturbance to the business of Vitaquest and it will continue to provide contribution to the business of Vitaquest.

The Directors, including the Independent Directors whose view on the Manufacturing Agreement is subject to the advice by Dao Heng, consider that the Manufacturing Agreement is on normal commercial terms and on terms no less favourable than those available from independent third parties who are not connected persons of the Group. The Manufacturing Agreement entered into will be beneficial to the business and/or the profitability of the Group after the VQ Completion. Therefore, the Directors consider it to be in the interest of the Group to engage in such transactions after the VQ Completion.

(3) ANNUAL CAP AMOUNTS

The proposed aggregate annual sales to Nu-Life pursuant to the Manufacturing Agreement will not be more than the amount as stated below:

Time period	**Caps**
For the year ending 31 December 2006	US$4,000,000
For the year ending 31 December 2007	US$5,200,000
For the year ending 31 December 2008	US$6,400,000

The aggregate annual sales to Nu-Life pursuant to the Manufacturing Agreement for the years ended 31 December 2003, 31 December 2004 and 31 December 2005 were US$3,628,000 (approximately HK$28,226,000), US$3,288,000 (approximately HK$25,581,000) and US$3,072,000 (approximately HK$23,900,000) respectively. The cap amounts mentioned above are determined by reference to, among other matters, the respective historical aggregate sales to Nu-Life. The Directors consider that the proposed annual caps for the Manufacturing Agreement are fair, reasonable and practical and in the interests of the Company and the Shareholders as a whole.

Based on the annual cap in respect of the remaining term of the Manufacturing Agreement, the aggregate annual values of the Manufacturing Agreement for subsequent years will be of an amount exceeding the threshold under Rule 20.34 of the GEM Listing Rules and will be subject to the disclosure requirement and independent Shareholders' approval at general meeting under the GEM Listing Rules. On 30 March 2006, the Company received from a closely allied group of shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolution for approving the Manufacturing Agreement and the annual caps at the EGM. For the remaining 3-month term of the Manufacturing Agreement after 31 December 2008, the Company will comply with the applicable requirements under Chapter 20 of the GEM Listing Rules.

(C) APPROVAL OF SERVICE CONTRACT

Upon the VQ Completion, Vitaquest LLC will enter into a Service Contract with VQ Investor appointing him as the chief executive officer of Vitaquest and Vitaquest LLC. The Service Contract will require the approval of the Shareholders at a general meeting pursuant to Rule 17.90 of the GEM Listing Rules.

(1) Term

The Service Contract will be for a term of five years and will be automatically extended for successive periods of one-year each unless Vitaquest LLC provides written notice of termination to VQ Investor at least sixty days prior to the expiration of the initial term or any subsequent extended term.

(2) Remuneration

VQ Investor's annual base salary will be US$600,000 (approximately HK$4,668,000), which will be increased annually by a percentage equal to the consumer price index and VQ Investor will be entitled to an annual bonus equivalent to 25% of the management fee payable by Vitaquest to the Group pursuant to a management agreement to be entered into between a company within the Group and Vitaquest.

(3) Restrictive covenant

Pursuant to the Service Contract, VQ Investor will be bound by a restrictive covenant which will provide that during his employment and for twelve months after the termination of his employment, VQ Investor shall not engage in activities, business or establish any new businesses that are substantially in competition with Vitaquest or its subsidiaries and shall not solicit customers and employees of Vitaquest or its subsidiaries save and except that Nu Life and its subsidiaries may continue to sell goods and services of the type sold by them on the date of the Service Contract and to manufacture, produce or package any products consistent with past practice.

(4) Termination compensation

The Service Contract may be terminated by Vitaquest LLC at anytime for any reason, or by VQ Investor at anytime after the second anniversary of the Service Contract upon 60 days' advance written notice. Certain provisions of the Service Contract will provide that upon termination of the Service Contract, VQ Investor may be entitled to compensation and other payments equivalent to more than one year's emoluments. The basis of calculating the compensation and other payments payable to VQ Investor upon termination of the Service Contract will depend mainly on whether the Service Contract has been terminated by Vitaquest LLC with or without Cause or by VQ Investor with or without Good Reason.

Vitaquest LLC will have to pay the continuation of VQ Investor's base salary and the employee benefits for the balance of the term or two years (whichever is longer) if the Service Contract is terminated prior to the expiration of the term by (i) Vitaquest LLC without Cause, (ii) VQ Investor with Good Reason, or (iii) the failure on the part of Vitaquest LLC to extend the term because of a change in control.

(5) Approval at the EGM

The Service Contract will require approval of the Shareholders at a general meeting of the Company pursuant to Rule 17.90 of the GEM Listing Rules. On 30 March 2006, the Company received from a closely allied group of shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolution for approving the Service Contract at the EGM.

The Remuneration Committee of the Company will advise the Shareholders as to whether the terms of the Service Contract are fair and reasonable and whether the Service Contract is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote.

(D) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In view of the minor and housekeeping amendments to the GEM Listing Rules becoming effective on 1 March 2006 pursuant to the announcement issued by the Stock Exchange on 17 February 2006, the Board proposes to the Shareholders for approval of certain amendments to the Articles of Association by specifying that Directors can be removed by ordinary resolutions in order to bring the Articles of Association in line with the amended GEM Listing Rules. The full text of the amendments to be made to the Articles of Association is contained in the notice of EGM set out on pages 179 to 181 of this circular.

TREND OF BUSINESS AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group achieved record revenue of HK$694.4 million for the year ended 31 December 2005, a 111% increase over the previous year. Profits before tax for the year 2005 was HK$16.1 million, compared to a re-stated loss before tax of HK$2.6 million in the previous year.

On the agriculture-related side, sales increased by 1.7 times in 2005, with a total of HK$425 million in revenue recorded. This growth was driven mainly by strong sales in China and Australia. The sales network for the Group's fertilizer business now spans 14 countries and regions.

On the health-related side, global sales grew by 20 times in 2005, significantly enhanced by the addition of "Adrien Gagnon" to the Group's portfolio. As the VitaGain® range of products expanded, the Group's sales base was broadened. The Group now plans to introduce the range of "Adrien Gagnon" products to new markets across the world.

The Group will continue to roll out new products to increase global market penetration, as well as introduce new products from its overseas companies and partners. At the same time, it will widen its sales and distribution network to bring its product range to more markets outside of Hong Kong.

Looking forward, the Group will continue to strengthen its research and development platform in a prudent and disciplined way, and will accelerate the expansion of its business and widen the geographic reach through overseas acquisitions. The aim is to establish new milestones in revenue and profit growth in the course of a very short period of time.

GENERAL

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialisation, marketing and selling of environmental and human health products, as well as investment in various financial and investment products.

The principal activities of MOP I Partners and MOP II Partners are private equity and venture capital investments. VQ Investments is a family holding company the principal activities of which include management of some of the funds of the family members.

The business operations of Vitaquest are supplying and manufacturing nutritional supplements worldwide.

Garden State Nutritionals is an operating division of Vitaquest which formulates, develops and manufactures custom dietary supplements, serving companies in more than 35 countries worldwide.

Windmill, Vitaquest's distribution arm, sells Vitaquest's own branded as well as third party products to mass merchants, drug store chains, independent pharmacies, supermarket and health food stores.

The business operations of Nu-Life are the marketing and sale of nutritional supplements in Canada.

The transaction contemplated in the Vitaquest Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and accordingly, will be subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Vitaquest Agreement, and no Shareholder is required to abstain from voting on the resolutions to approve the Vitaquest Agreement at the EGM. On 3 February 2006, the Company received from a closely allied group of shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolutions for approving the Vitaquest Agreement at the EGM. Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited together hold approximately 73.35% of the issued share capital of the Company and they have no interest in the Vitaquest Agreement or any transaction contemplated thereunder other than through their equity interest in the Company.

The Directors propose to seek the approval of the Manufacturing Agreement and the annual caps as well as the Service Contract and the proposed amendments to the Articles of Association from the Shareholders at the EGM by poll.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Manufacturing Agreement or the Service Contract and no Shareholder is required to abstain from voting on the resolutions to approve the Manufacturing Agreement and the annual caps as well as the Service Contract at the EGM. On 30 March 2006, the Company received from a closely allied group of shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolutions for approving the Manufacturing Agreement and the annual caps as well as the Service Contract at the EGM.

RECOMMENDATION

The Directors believe that the terms of the Vitaquest Acquisition, the Manufacturing Agreement and the transactions contemplated thereunder as well as the annual caps, the Service Contract and the proposed amendments to the Articles of Association are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions set out in the notice of EGM contained in this circular.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the Vitaquest Acquisition, the Manufacturing Agreement and the transactions contemplated thereunder and the annual caps as well as the Service Contract and at which a special resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the proposed amendments to the Articles of Association and all matters relating thereto is set out on pages 179 to 181 of this circular. No Shareholder is required to abstain from voting in respect of the proposed resolutions to approve the Vitaquest Acquisition, the Manufacturing Agreement and the transactions contemplated thereunder and the annual caps, the Service Contract and the proposed amendments to the Articles of Association at the EGM.

The Chairman of the EGM will exercise his power under Article 80 of the Articles of Association to put each of the resolutions in the notice of EGM to the vote by way of a poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you wish to do so.

An announcement will be made by the Company following the conclusion of the EGM to inform you of the results of the EGM.

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

Yours faithfully,

By Order of the Board
LI TZAR KUOI, VICTOR
Chairman

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)

18 April 2006

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 18 April 2006 issued to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As the Independent Board Committee, we have been appointed by the Board to advise the Shareholders on whether the terms of the Manufacturing Agreement and the transactions contemplated thereunder as well as the annual caps are fair and reasonable so far as the Shareholders are concerned. Details of the Manufacturing Agreement and the annual caps are set out in the text of the letter from the Board as set out on pages 8 to 28 of the Circular.

We wish to draw your attention to the letter of advice from Dao Heng as set out on pages 30 to 37 of the Circular which contains its advice and recommendation to us as to whether or not the Manufacturing Agreement and the transactions contemplated thereunder as well as the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole together with the principal factors and reasons for its advice and recommendation.

Having considered, among other matters, the factors and reasons considered by, and the opinions of, Dao Heng as stated in its aforementioned letter of advice, we consider that the Manufacturing Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of Vitaquest, that the transactions contemplated in the Manufacturing Agreement are in the interests of the Company and the Shareholders as a whole and that the terms of the Manufacturing Agreement and the annual caps are fair and reasonable so far as the Shareholders are concerned. And accordingly we recommend the Shareholders to vote in favour of the resolution relating to the Manufacturing Agreement and the transactions contemplated thereunder as well as the relevant annual caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Wong Yue-chim, Richard   Kwok Eva Lee   Colin Stevens Russel
Independent Non-executive Directors

Set out below is the text of the letter of advice from Dao Heng to the Independent Board Committee and the Shareholders prepared for inclusion in this circular.

道亨證券有限公司
DaoHeng Securities Ltd.
A Member of the Guoco Group

18 April 2006

The Independent Board Committee and the Shareholders
CK Life Sciences Int'l., (Holdings) Inc.
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our engagement to advise the Independent Board Committee and the Shareholders in relation to the continuing connected transactions of the Group after the VQ Completion, namely the manufacturing agreement between Vitaquest LLC and Nu-Life, details of which are set out in the letter from the Board in a circular dated 18 April 2006 to the Shareholders (the "Circular"), of which this letter forms part. Terms defined in the Circular shall bear the same meanings herein unless the context otherwise requires.

Upon VQ Completion, Vitaquest LLC will become a subsidiary of the Company. The VQ Investor and his associates are and will, after the VQ Completion, remain to be substantial shareholders of Vitaquest. Since Nu-Life is an associate of the VQ Investor, Nu-Life will therefore become a connected person of the Company after the VQ Completion. Accordingly, the manufacture and supply of Products from Vitaquest LLC to Nu-Life will constitute continuing connected transactions of the Company under the GEM Listing Rules after the VQ Completion.

Based on the annual cap in respect of the remaining term of the Manufacturing Agreement, the aggregate annual values of the Manufacturing Agreement for subsequent years will be of an amount exceeding the threshold under Rule 20.34 of the GEM Listing Rules and will be subject to the disclosure requirement and independent Shareholders' approval at general meeting under the GEM Listing Rules.

The Independent Board Committee, comprising all of Independent Directors, namely Professor Wong Yue-chim, Richard, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel, has been formed to make a recommendation to the Shareholders in relation to the continuing connected transactions. We have been appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in this regard.

In formulating our recommendations, we have relied on the accuracy of the information and representations contained in the Circular and as provided to us by the Directors. We have assumed that all information and representations made or referred to in the Circular and all information and representations which have been provided by the Directors are true and accurate in all material respects and that all expectations and intentions of the Company or the Directors will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and referred to in the Circular, and we have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view. We have not, however, conducted any form of independent investigation into the businesses and affairs or the financial position or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion as to whether the terms of the continuing connected transactions and the proposed annual caps pursuant to the Manufacturing Agreement are fair and reasonable in so far as the Shareholders are concerned, we have considered the following principal factors and reasons:

1. Background of the continuing connected transactions

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialization, marketing and selling of environmental and human health products, as well as investment in various financial and investment products.

On 3 February 2006, the Company entered into the Vitaquest Agreement to acquire common membership interests representing an 80% interests in the capital and profits of Vitaquest plus 100% of the Vitaquest Senior Preferred Interests, details of which were disclosed in the announcement of the Company dated 3 February 2006.

Prior to the Vitaquest Acquisition, Vitaquest LLC, of which Garden State Nutritionals and Windmill form parts, had started to manufacture and supply the Products to Nu-Life since 1987. The aggregate sales received by Vitaquest LLC from Nu-Life for the years ended 31 December 2003, 31 December 2004 and 31 December 2005 were US$3,628,000 (approximately HK$28,226,000), US$3,288,000 (approximately HK$25,581,000) and US$3,072,000 (approximately HK$23,900,000) respectively. On 17 March 2005, Vitaquest LLC entered into a manufacturing agreement with Nu-Life. Under this agreement, Nu-Life appointed Garden State Nutritionals (a division of Vitaquest LLC) as the manufacturer and source of supply for Nu-Life's GSN Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all GSN Products (including any additional GSN Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Garden State Nutritionals. The manufacturing agreement with Nu-Life was amended on 27 March, 2006 to further cover the supply of the Windmill Products to Nu-Life by Windmill (another division of Vitaquest LLC), in which Nu-Life appointed Windmill (another division of Vitaquest LLC) as the manufacturer and source of supply for Nu-Life's Windmill Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all Windmill Products (including any additional Windmill Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Windmill.

As (a) the VQ Investor and his associates are and will, after the VQ Completion, remain to be substantial shareholders of Vitaquest; and (b) Nu-Life is an associate of the VQ Investor and will therefore become a connected person of the Company after the VQ Completion, transaction contemplated under the Manufacturing Agreement will constitute continuing connected transactions for the Company under the GEM Listing Rules.

As stated in the Letter from the Board, the Directors consider that the Manufacturing Agreement is on normal commercial terms and on terms no less favourable than those available from independent third parties who are not connected persons of the Group.

2. Reasons for the continuing connected transactions

It is stated in the letter from the Board that Vitaquest is engaged in the business of supplying and manufacturing nutritional supplements worldwide. Garden State Nutritionals, one of the two main operating divisions of Vitaquest, formulates, develops and manufactures custom dietary supplements. Garden State Nutritionals serves companies in more than 35 countries worldwide. Windmill, Vitaquest's distribution arm, sells Vitaquest's own branded as well as third party products to mass merchants, drug store chains, independent pharmacies, supermarket and health food stores.

It is also stated in the letter from the Board that the business operations of Nu-Life are the marketing and sale of nutritional supplements in Canada. As the manufacture and sales of the Products pursuant to the Manufacturing Agreement have been part of the normal commercial activities of Vitaquest, it is expected by the Directors that Garden State Nutritionals and Windwill will, from time to time, continue to manufacture and/or supply the Products to Nu-Life after the Vitaquest Acquisition on a continuing and recurring basis. Furthermore, the continuation of the Manufacturing Agreement will avoid causing unnecessary disturbance to the business of Vitaquest and that the Manufacturing Agreement can continue to provide contribution to the business of Vitaquest and therefore the Directors consider it to be in the best interest of Vitaquest as well as the Group.

In view of the fact that (i) Vitaquest LLC had started to manufacture and supply the Products to Nu-Life since 1987; and (ii) the continuation of the Manufacturing Agreement enables Vitaquest to avoid facing any unnecessary disturbance to its business, we concur with the views of the Directors in this regard and consider the continuation of the Manufacturing Agreement is in the interests of the Company and its Shareholders as a whole.

3. Terms of the Manufacturing Agreement

Pursuant to the Manufacturing Agreement, Nu-Life appointed (i) Garden State Nutritionals as the manufacturer and source of supply for Nu-Life's GSN Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all GSN Products (including any additional GSN Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Garden State Nutritionals; and (ii) Windmill as the manufacturer and source of supply for Nu-Life's Windmill Product requirements in the US, Canada and all other international markets such that at least 80% of Nu-Life's requirements for all

Windmill Products (including any additional Windmill Products not currently supplied or offered for sale by Nu-Life) are manufactured or supplied by Windmill. The parties thereto shall modify, from time to time, the prices for the Products so as to reflect the then prevailing market prices for the Products. Payment terms under the Manufacturing Agreement are cash on delivery.

(a) Pricing of the Products

Upon discussion with the Directors on the pricing of the Products, we have been advised by the management of the Company that the actual gross profit margins for the Products sold to Nu-Life by Vitaquest LLC for each of the two years ended 31 December 2004 were within the range of the gross profit margins of Products sold to the top 25 customers of Vitaquest LLC (other than Nu-Life), who consist of entirely independent third parties. We understand from the management of the Company that the current pricing policy of Vitaquest LLC for its customers will continue to be adopted in the future. We have also been provided by the management of the Company an analysis of projected gross profit margins for the year ending 31 December 2006 and found that the projected gross profit margins marked up by Vitaquest LLC will be within the range of those of their top 25 customers. Based on the foregoing, we consider that the terms in relation to the pricing policy of the Manufacturing Agreement are no less favourable to the Group than those available from independent third parties.

(b) Payment terms of the Manufacturing Agreement

It is stated in the letter from the Board that payment terms under the Manufacturing Agreement are cash on delivery. We have reviewed some other manufacturing agreements entered into between Vitaquest LLC and independent third parties, which are of similar nature to that of the Manufacturing Agreement. We found that the payment terms of these manufacturing agreements are 30 days after receipt of products and accordingly we consider that the payment terms under the Manufacturing Agreement are no less favourable to the Group than those available from independent third parties.

(c) Term of the Manufacturing Agreement

The Manufacturing Agreement is for a term of three years from 27 March 2006 which shall be renewable upon mutual agreement between the parties for an additional period of one year. As stated in the letter from the Board, pursuant to Rule 20.41 of GEM Listing Rules, in the event of a renewal of the Manufacturing Agreement, the Company will comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 20 the GEM Listing Rules. The terms of the Manufacturing Agreement provide that if either party materially breaches the Manufacturing Agreement and fails to remedy such breach within 30 days, then the non-defaulting party may terminate the Manufacturing Agreement by 90 days' prior written notice. In addition, Vitaquest LLC may terminate the Manufacturing Agreement at any time during the term thereof by 30 days' prior written notice. The manufacturing agreements entered into between Vitaquest LLC and independent third parties that we have reviewed have a term of one to three years. Given that Vitaquest LLC may at any time terminate the Manufacturing Agreement during the term thereof by 30 days' prior written notice, we consider that the term of the Manufacturing Agreement, which is not more than three years, is in compliance with the requirements under the GEM Listing Rules, on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Proposed annual caps of the continuing connected transactions

The respective proposed annual cap amounts for each of the three years ending 31 December 2008 pursuant to the Manufacturing Agreement are stated as follow:

	Caps *(US$)*
For the year ending 31 December 2006	4,000,000
For the year ending 31 December 2007	5,200,000
For the year ending 31 December 2008	6,400,000

As stated in the letter from the Board, for the remaining 3-month term of the Manufacturing Agreement after 31 December 2008, the Company will comply with the applicable requirements under Chapter 20 of the GEM Listing Rules.

In assessing the fairness and reasonableness of the annual caps stated above, we have discussed with the Directors the bases and assumptions underlying the projections for the sales of Products by Vitaquest LLC to Nu-Life for the purpose of determining such annual caps. It is stated in the letter from the Board that the above-mentioned cap amounts are determined by reference to, among other matters, the historical aggregate sales to Nu-Life by Vitaquest LLC. Based on the information provided by the Directors, the aggregate sale of the Products by Vitaquest LLC to Nu-Life for the year ended 31 December 2005 amounted to approximately US$3,072,000 (approximately HK$23,900,000), and coupled with the compound annual growth rate ("CAGR") of the aggregate sales to Nu-Life of approximately 37.62% for the past ten years between 1996 and 2005, we consider the proposed annual cap amount for the year ending 31 December 2006 of US$4,000,000 has been reasonably set by the Directors.

We are aware that the aggregate sale of the Products by Vitaquest LLC to Nu-Life for the years ended 31 December 2003, 31 December 2004 and 31 December 2005 were US$3,628,000 (approximately HK$28,226,000), US$3,288,000 (approximately HK$25,581,000) and US$3,072,000 (approximately HK$23,900,000) respectively. However, as advised by the Directors, Nu-Life will put in place new management in the near future and it is expected that Nu-Life will improve its sales performance and hence the Directors anticipated positive growth in transaction amount between Vitaquest LLC and Nu-Life for the three years ending 31 December 2008.

With each subsequent year under the Manufacturing Agreement, the annual cap amount is determined by reference to the cap amount of the prior year plus an increment of US$1,200,000. As advised by the Directors, the market for vitamins, minerals, herbal and botanical supplement products in Canada is largely divided into two segments, namely (a) health food stores market; and (b) food drugs and mass market and Nu-Life has only started entering the food drugs and mass market in Canada in 2005. We understand from the Directors that the yearly increment of US$1,200,000 is determined based on the expected penetration in the Canadian food drugs and mass market by Nu-Life for the three years ending 31 December 2008 and, most of the Products will be sold in Canada. Based on the Nutrition Business Journal published in October/ November 2004, the market size for vitamins, minerals, herbal and botanical supplement products in Canada is estimated to be approximately US$980 million in 2003. We have also made reference to a research report titled "OTC Healthcare in Canada" dated 15 November 2005 taken from the Global Market Information Database for Hong Kong Trade Development Council, the distribution channel of health food shops accounted for approximately 23% of total sales of vitamins and dietary supplements in Canada in 2004. Accordingly, the health food stores market accounted for approximately US$225.4 million and the food drugs and mass market accounted for the remaining of approximately US$754.6 million in 2003, based on the assumption that the two distribution channels of (i) heath food stores; and (ii) food drugs and mass market accounted for similar proportions of the total Canadian vitamin and dietary supplements market in 2003 as those in 2004.

The Directors estimated that it took approximately eight years for Nu-Life to establish a market share of approximately 10.73% in the Canadian health food stores market (based on the sale of Products to Nu-Life by Vitaquest LLC for the year ended 31 December 2003 and the estimated market size for the Canadian health food stores market in 2003 as mentioned above). By mirroring such pace of growth in market share in the Canadian health food stores market, it is anticipated that Nu-Life will be able to occupy a market share of approximately 4.02% of the Canadian food drugs and mass market in three years, which is three-eighth of the market share of approximately 10.73% in the Canadian health food stores market established by Nu-Life in 2003.

Having taken the assumption by the Directors that the market share of approximately 4.02% of the Canadian food drugs and mass market (which accounted for approximately US$754.6 million in 2003) for the three years ending 31 December 2008 will be distributed equally over the three-year period, such growth in market share shall contribute to a yearly increase of approximately US$1,500,000 in sales to Nu-Life for each of the three years ending 31 December 2008 when translated back into ex-factory price. However, considering that the Canadian food drugs and mass market is a new distribution channel for Nu-Life, the Directors have assigned a 20% discount to the yearly increment in sales to Nu-Life to reflect the beginning stage of entering into a new distribution channel, which consequently arrives at an expected yearly increment in sales to Nu-Life of approximately US$1,200,000. The Directors consider that the proposed annual caps for the Manufacturing Agreement are fair, reasonable and practical and in the interests of the Company and the Shareholders as a whole.

Taking into the account the fact that (i) the annual cap for the year ending 31 December 2006 is determined by reference to, among other matters, the historical aggregate sales to Nu-Life by Vitaquest LLC and its CAGR over the past 10 years and (ii) the yearly increment of US$1,200,000 of the annual cap for the following years is determined by reference to its experience in securing market share in the Canadian health food stores market in the past, we consider that the proposed cap amounts for each of the three years ending 31 December 2008 set at US$4,000,000, US$5,200,000 and US$6,400,000 respectively are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

5. Conditions of the continuing connected transactions under the Manufacturing Agreement

In respect of the continuing connected transactions, the Company will have to comply with the reporting, disclosure and the Shareholders' approval requirements under Rules 20.45 to 20.48 of the GEM Listing Rules as well as the following conditions in accordance with Rule 20.36 to 20.41 of the GEM Listing Rules:

(i) the continuing connected transactions shall be entered into:

(a) in the ordinary and usual business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the terms of the Manufacturing Agreement governing the continuing connected transactions;

(ii) the Independent Directors shall review the continuing connected transactions and confirm, in the Company's next and successive annual reports, that the continuing connected transactions are conducted in manner as stated in paragraphs (i) above;

(iii) the Company's auditor shall review the continuing connected transactions annually and confirm in a letter to the Directors confirming that the continuing connected transactions:

(a) have received the approval of the Board;

(b) have been entered into in accordance with the pricing policies of the Group;

(c) have been entered into in accordance with the terms of the Manufacturing Agreement governing the continuing connected transactions; and

(d) have not exceeded the proposed annual caps disclosed in the letter from the Board in the Circular;

(iv) the Company shall allow, and shall procure that Nu-Life shall allow, the Company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (iii) above. The Board must state in the Company's annual report whether its auditors have confirmed the matters set out in paragraph (iii) above;

(v) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the Independent Directors and/or its auditors will not be able to confirm the conditions set out in paragraph (i) and/or (iii) above;

(vi) if (a) any variation of the terms or renewal of the Manufacturing Agreement; or (b) the Company enters into any new agreements involving continuing transactions and such transactions subsequently become continuing connected transactions with any connected parties, the Company must comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements under the GEM Listing Rules; and

(vii) the Company must re-comply with Rules 20.35(3) and 20.35(4) if the respective annual caps for the continuing connected transactions are exceeded or when the Manufacturing Agreement is renewed or there is a material change to the terms of the Manufacturing Agreement.

Having considered the requirements of compliance to the relevant provisions under the GEM Listing Rules in respect of the continuing connected transactions, in particular (i) the restriction of the annual aggregate amount of the continuing connected transactions by way of the annual caps; and (ii) the on-going review by the Independent Directors and the Company's auditors in respect of the terms of the continuing connected transactions, we are of the view that the Company has taken appropriate measures governing itself to carry out the continuing connected transactions, thereby safeguarding the interests of the Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into the Manufacturing Agreement is in the ordinary and usual course of business of Vitaquest LLC, on normal commercial terms and in the interest of the Company and its Shareholders as a whole. We also consider that the terms of the Manufacturing Agreement and the proposed annual caps being set for the value of the Products are fair and reasonable as far as the interests of the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the continuing connected transactions and the relevant annual caps.

Yours faithfully,
For and on behalf of
Dao Heng Securities Limited
Venus Choi — *Executive Director*
Jenny Leung — *Director, Corporate Finance*

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)

18 April 2006

To the Shareholders

Dear Sir or Madam,

SERVICE CONTRACT

We refer to the circular dated 18 April 2006 issued to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As the Remuneration Committee and as required under Rule 17.90 of the GEM Listing Rules, we have been appointed by the Board to advise the Shareholders on whether the terms of the Service Contract are fair and reasonable and whether the Service Contract is in the interests of the Company and the Shareholders as a whole. Details of the Service Contract are set out in the text of the letter from the Board as set out on pages 8 to 26 of the Circular.

The VQ Investor has 19 years of unique nutraceutical manufacturing, sales and marketing experience. He graduated from American University with a B.S. degree in marketing management. He has held various sales, marketing and management positions within Vitaquest and its predecessor companies which his father founded, and has been president, Chief Executive Officer and Director of Vitaquest since its formation.

The VQ Investor was instrumental in growing Vitaquest from its relatively small base to become the largest custom contract manufacturer of nutritional products in the United States. Under his leadership, Vitaquest has built a reputation for being a reliable, innovative, versatile and customer-oriented contract manufacturer, winning it the number one position in the industry. He has the vision for setting Vitaquest's strategy, the leadership to lead a dedicated and motivated sales team to produce stellar performance, and the drive and expertise to initiate new product developments, including the installation of a new cream and lotion facility in Florida. The VQ Investor's continued involvement as chief executive officer of Vitaquest is critical to the continued success of Vitaquest after the VQ Completion, and the Remuneration Committee considers his compensation is fair and reasonable for a position of this seniority.

Having taken into account such factors, we consider that the terms of the Service Contract are fair and reasonable and that the Service Contract is in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Shareholders to vote in favour of the resolution in relation to the Service Contract.

Yours faithfully,
For and on behalf of
the Remuneration Committee
Li Tzar Kuoi, Victor Kwok Eva Lee Colin Stevens Russel

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 2005 is set out below:

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated results summary			
Turnover	192,268	329,627	694,379
Profit/(loss) attributable to equity holders of the Company*	(738)	(3,968)	12,234

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheet summary			
Non-current assets	2,515,897	2,310,811	2,830,045
Current assets	343,832	751,996	850,838
Current liabilities	(46,292)	(149,596)	(365,333)
Non-current liabilities	–	(68,223)	(531,463)
Total net assets	2,813,437	2,844,988	2,784,087
Equity attributable to equity holders of the Company	2,813,316	2,795,705	2,736,260
Minority interests	121	49,283	47,827
Total equity	2,813,437	2,844,988	2,784,087

* Figures have been restated to reflect the change in accounting policy for the adoption of HKFRS2 as described in note 2 to the financial statements.

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 2005.

Consolidated Income Statement
For the year ended 31 December 2005

	Notes	**2005** *HK$'000*	**Restated 2004** *HK$'000*
Turnover	*6*	694,379	329,627
Cost of sales		(386,536)	(134,506)
		307,843	195,121
Other income	*7*	80,412	47,881
Staff costs	*8*	(142,711)	(111,533)
Depreciation		(28,836)	(23,515)
Amortization of intangible assets		(4,758)	(2,829)
Fair value change of financial instruments		(28,165)	–
Other operating expenses		(151,482)	(109,764)
Finance costs	*9*	(19,494)	(4,438)
Gain on disposal of an associate		–	4,179
Share of results of associates		3,337	2,279
Profit/(loss) before taxation		16,146	(2,619)
Taxation	*10*	(5,368)	(2,548)
Profit/(loss) for the year	*11*	10,778	(5,167)
Attributable to:			
Equity holders of the Company		12,234	(3,968)
Minority interests		(1,456)	(1,199)
		10,778	(5,167)
Earnings/(loss) per share	*12*		
– Basic		0.19 cent	(0.062 cent)
– Diluted		0.19 cent	(0.062 cent)

Consolidated Balance Sheet
As at 31 December 2005

	Notes	2005 HK$'000	Restated 2004 HK$'000
Non-current assets			
Property, plant and equipment	*14*	359,953	348,335
Prepaid lease for land	*15*	27,827	27,918
Intangible assets	*16*	738,738	171,967
Interests in associates	*17*	30,922	27,585
Debt investment	*18*	174,179	–
Available-for-sale investments	*19*	210,879	–
Investments at fair value through profit and loss	*20*	1,280,331	–
Investments in securities	*22*	–	1,523,840
Other investments		–	211,166
Deferred taxation	*30*	7,216	–
		2,830,045	2,310,811
Current assets			
Debt investment	*18*	36,986	–
Investments at fair value through profit and loss	*20*	48,346	–
Derivative financial instruments	*21*	22,361	–
Investments in securities	*22*	–	97,795
Other investments		–	29,387
Inventories	*23*	127,914	41,484
Receivables and prepayments	*24*	202,990	140,480
Taxation		808	–
Deposit with financial institution		39,000	–
Bank balances and deposits		372,433	442,850
		850,838	751,996
Current liabilities			
Payables and accruals	*25*	(216,958)	(112,946)
Bank loans	*26*	(93,080)	(20,368)
Other loan	*27*	–	(13,737)
Finance lease obligations	*28*	(559)	(371)
Derivative financial instruments	*21*	(54,736)	–
Taxation		–	(2,174)
		(365,333)	(149,596)
Net current assets		485,505	602,400
Total assets less current liabilities		3,315,550	2,913,211
Non-current liabilities			
Bank loans	*26*	(461,200)	(60,217)
Loan from a minority shareholder	*29*	(34,252)	(7,239)
Finance lease obligations	*28*	(1,741)	(621)
Deferred taxation	*30*	(34,270)	(146)
		(531,463)	(68,223)
Total net assets		2,784,087	2,844,988
Capital and reserves			
Share capital	*31*	640,738	640,738
Share premium and reserves		2,095,522	2,154,967
Equity attributable to equity holders of the Company		2,736,260	2,795,705
Minority interests		47,827	49,283
Total equity		2,784,087	2,844,988

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Employee share-based compensation reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	640,703	2,391,707	63,948	350	–	(283,392)	2,813,316	121	2,813,437
Effect of changes in accounting policies *(note 2)*	–	–	–	–	1,666	(1,666)	–	–	–
At 1 January 2004 restated	640,703	2,391,707	63,948	350	1,666	(285,058)	2,813,316	121	2,813,437
Surplus on revaluation of investments in securities	–	–	49,058	–	–	–	49,058	–	49,058
Exchange difference on translation of financial statements of overseas operations	–	–	–	1,600	–	–	1,600	–	1,600
Net gain recognized directly in equity	–	–	49,058	1,600	–	–	50,658	–	50,658
Realized on disposal/ redemption of financial instruments	–	–	(70,711)	–	–	–	(70,711)	–	(70,711)
Loss for the year	–	–	–	–	–	(3,968)	(3,968)	(1,199)	(5,167)
Total recognized income and expenses for the year	–	–	(21,653)	1,600	–	(3,968)	(24,021)	(1,199)	(25,220)
Shares issued under share option scheme	35	478	–	–	–	–	513	–	513
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	50,361	50,361
Employees' share options benefits	–	–	–	–	5,897	–	5,897	–	5,897
At 31 December 2004	640,738	2,392,185	42,295	1,950	7,563	(289,026)	2,795,705	49,283	2,844,988
Effect of initial adoption of HKAS 39	–	–	–	–	–	(420)	(420)	–	(420)
At 1 January 2005 restated	640,738	2,392,185	42,295	1,950	7,563	(289,446)	2,795,285	49,283	2,844,568
Loss on fair value changes of available-for-sale investments	–	–	(25,807)	–	–	–	(25,807)	–	(25,807)
Exchange difference on translation of financial statements of overseas operations	–	–	–	(1,985)	–	–	(1,985)	–	(1,985)
Net loss recognized directly in equity	–	–	(25,807)	(1,985)	–	–	(27,792)	–	(27,792)
Realized on disposal/ redemption of financial instruments	–	–	(44,090)	–	–	–	(44,090)	–	(44,090)
Profit for the year	–	–	–	–	–	12,234	12,234	(1,456)	10,778
Total recognized income and expenses for the year	–	–	(69,897)	(1,985)	–	12,234	(59,648)	(1,456)	(61,104)
Employees' share options benefits	–	–	–	–	623	–	623	–	623
At 31 December 2005	640,738	2,392,185	(27,602)	(35)	8,186	(277,212)	2,736,260	47,827	2,784,087

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	Note	**2005** *HK$'000*	**restated 2004** *HK$'000*
Operating activities			
Profit/(loss) before taxation		16,146	(2,619)
Share of results of associates		(3,337)	(2,279)
Gain on disposal of an associate		–	(4,179)
Finance costs		19,494	4,438
Depreciation		28,836	23,515
Amortization of prepaid lease for land		401	314
Discount on acquisition of subsidiary		–	(3,288)
Gain on disposal/redemption of investments in securities		–	(23,559)
Gain on disposal/redemption of available-for-sale investments		(33,794)	–
Gain on disposal/redemption of investments at fair value through profit and loss		(29,349)	–
Loss on disposal of property, plant and equipment		115	52
Interest income		(14,200)	(3,455)
Amortization of intangible assets		4,758	2,829
Amortization of discount on other investments		–	(11,676)
Costs of intangible assets written off		–	14,674
Allowance for bad debts		1,166	–
Stock written off		843	–
Fair value changes of financial instruments		28,165	–
Share-based payment		623	5,897
Operating profit before working capital changes		19,867	664
Decrease in investments in securities		–	5,244
Increase in inventories		(31,200)	(9,495)
Increase in receivables and prepayments		(48,882)	(68,123)
Increase/(decrease) in payables and accruals		84,030	(2,954)
Profits tax paid		(6,557)	(228)
Net cash from/(used in) operating activities		17,258	(74,892)

	Note	2005 HK$'000	restated 2004 HK$'000
Investing activities			
Purchases of property, plant and equipment		(57,059)	(88,780)
Proceeds from disposal of property, plant and equipment		850	397
Purchase of subsidiaries	38	(514,760)	(43,552)
Capital contribution to associates		–	(16,177)
Proceeds from disposal of an associate		–	6,500
Purchases of financial instruments		(1,195,847)	(1,383,720)
Proceeds from disposal/redemption of investments in securities		1,275,015	1,728,907
Expenditure on intangible assets		(44,820)	(44,218)
Increase in deposit with financial institution		(39,000)	–
Repayment of debt investment		39,439	39,439
Interest received		14,232	21,759
Net cash (used in)/from investing activities		(521,950)	220,555
Financing activities			
Issue of shares		–	513
New bank loans		519,565	18,800
Repayment of bank loans		(80,585)	(4,824)
Repayment of other loan		(13,737)	–
Finance leases obligations repaid		(324)	(155)
Interest paid		(19,531)	(4,400)
Loan from a minority shareholder of a subsidiary		29,482	46,995
Net cash from financing activities		434,870	56,929
Net (decrease)/increase in cash and cash equivalents		(69,822)	202,592
Cash and cash equivalents at beginning of the year		442,850	240,258
Effect of foreign exchange rate changes		(595)	–
Cash and cash equivalents at end of the year		372,433	442,850
Represented by:			
Bank balances and deposits		372,433	442,850

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 (the "Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report.

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialization, marketing and selling of environmental and human health products, as well as investment in various financial and investment products.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA'') that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combination", HKAS 36 "impairment of Assets" and HKAS 38 "Intangible Assets'' which had been early applied by the Group in the preparation of its financial statements for the year ended 31 December 2004. The application of the remaining HKFRSs has resulted in the following material changes in the presentation of financial statements for the year as well as the Group's accounting policies:

(a) Presentation of Financial Statements

The major changes under HKAS 1 "Presentation of Financial Statements" are the presentation of minority interest and share of taxation of associates. Minority interest now forms part of the equity in the Group's consolidated balance sheet and is shown as an allocation of profit and loss in the Group's consolidated income statement and the share of taxation of associates previously included under taxation in the consolidated income statement is now netted off against the share of results of associates. The changes in presentation have been applied retrospectively.

(b) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were classified as property, plant and equipment and stated at valuation less accumulated depreciation. The adoption of HKAS 17 "Leases" has resulted in the reclassification of leasehold land from property, plant and equipment to prepaid lease under operating leases which are carried at cost and charged as operating leases expenses on a straight-line basis over the lease term and where there is impairment, the impairment is expensed in the income statement immediately. This change in accounting policy has been applied retrospectively but has no impact on the results of the Group for the year and the prior periods.

(c) Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.

The principal effects resulting from the implementation of HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

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

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "trading securities" or "Non-trading securities". Both "trading securities" and "Non-trading securities" are measured at fair value. Unrealized gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealized gains or losses of "Non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities as "investments at fair value through profit and loss" or "available-for-sale investments" in accordance with HKAS 39. "Investments at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. For "Non-trading securities" that are classified or designated as "investments at fair value through profit and loss", the cumulative unrealized gains or losses previously reported in equity at 1 January 2005 continue to be held in equity. On subsequent derecognition or impairment of the investment, the unrealized gain or loss remaining in equity will be transferred to profit or loss.

(ii) Derivatives

Up to 31 December 2004, the derivative financial instruments had not been recognized on the balance sheet. The net interest expenses or income arising from the derivative financial instruments were included in the income statement on an accrual basis. From 1 January 2005 onwards, all derivatives financial instruments that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognized in profit or loss for the period in which they arise.

(d) Share-based Payment

Starting from 1 January 2005, the Group has applied HKFRS 2 "Share-based payments" which requires the fair value of share options granted to employees after 7 November 2002 and had not vested on 1 January 2005 to be recognized at the date of grant as an expense in the income statement over the vesting period with the corresponding credit to an employee share-based compensation reserve under equity. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. This change in accounting policy has been applied retrospectively.

(e) Translation of foreign operations

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operations and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisition of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provision in HKAS 21, goodwill arising on acquisition prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the current year, the Group acquired a number of foreign operation and goodwill arose on the acquisition of those foreign operation was translated at the closing rate at 31 December 2005, which has resulted in an increase of HK$11,119,000 in the balance of the exchange reserve at 31 December 2005.

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

	HKAS 1	**HKAS 17**	**HKAS 39**	**HKFRS 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year 2005					
Increase in staff costs	–	–	–	(623)	(623)
Decrease in depreciation	–	401	–	–	401
Increase in fair value change of financial instruments	–	–	(28,165)	–	(28,165)
Increase in other operating expenses	–	(401)	–	–	(401)
Decrease in share of results of associates	(1,634)	–	–	–	(1,634)
Decrease in taxation	1,634	–	–	–	1,634
Decrease in profit for the year attributable to the equity holders of the Company	–	–	(28,165)	(623)	(28,788)
Decrease in basic earnings per share					(0.45 cent)
Year 2004					
Increase in staff costs	–	–	–	(5,897)	(5,897)
Decrease in depreciation	–	314	–	–	314
Increase in other operating expenses	–	(314)	–	–	(314)
Decrease in share of results of associates	(1,003)	–	–	–	(1,003)
Decrease in taxation	1,003	–	–	–	1,003
Increase in loss for the year attributable to the equity holders of the Company	–	–	–	(5,897)	(5,897)
Decrease in basic and diluted earnings per share					(0.09 cent)

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarized below:

Balance Sheet items

	As at 31 December 2004 (originally stated)	Adjustment	As at 31 December 2004 (restated)	Adjustment	As at 1 January 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Impact of HKAS 17					
Property, plant and equipment	376,253	(27,918)	348,335	–	348,335
Prepaid lease for land	–	27,918	27,918	–	27,918
Impact of HKAS 39					
Debt investment	–	–	–	240,553	240,553
Available-for-sale investments	–	–	–	293,809	293,809
Investments at fair value through profit and loss	–	–	–	1,327,826	1,327,826
Derivative financial instruments	–	–	–	(420)	(420)
Investments in securities	1,621,635	–	1,621,635	(1,621,635)	–
Other investments	240,553	–	240,553	(240,553)	–
Total effects on assets and liabilities	2,238,441	–	2,238,441	(420)	2,238,021
Impact of HKFRS 2 and HKAS 39					
Accumulated losses	(281,463)	(7,563)	(289,026)	(420)	(289,446)
Employee share-based compensation reserve	–	7,563	7,563	–	7,563
Total effect on equity	(281,463)	–	(281,463)	(420)	(281,883)

The financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are summarized below:

	As originally stated	Adjustment	As restated
	HK$'000	*HK$'000*	*HK$'000*
Impact of HKFRS 2			
Accumulated losses	(283,392)	(1,666)	(285,058)
Employee share-based compensation reserve	–	1,666	1,666
Total effect on equity	(283,392)	–	(283,392)

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) –Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) –Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) –Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) –Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflatinary Economies[4]

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

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

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

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

The Directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

3. Significant Accounting Policies

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

The financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA as well as the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

(a) Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2005.

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Property, plant and equipment

Property, plant and equipment, other than building under construction, are stated at cost or fair value less accumulated depreciation and impairment loss. Building held for use in the supply of goods or services, or for administrative purpose are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Any revaluation increase arising on revaluation of building 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.

Depreciation is provided to write off the cost or fair value of an item 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:

Building	4% to 10% or over the terms of the lease, whichever is shorter
Laboratory instruments, plant and equipment	6% – 33⅓%
Furniture, fixtures and other assets	4% – 50%

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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year in which the item is de-recognized.

(c) Prepaid lease for land

Leasehold land premiums are up-front payments to acquire interests in leasehold properties. The premiums are stated at cost and are charged to the income statement over the period of the lease on a straight-line basis.

(d) Intangible assets

i. Development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered 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.

ii. Patents

On initial recognition, patents acquired separately and from business combinations are recognized at cost. After initial recognition, patents are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

iii. Goodwill

Goodwill arising from business combination represents the excess of costs of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Such goodwill is carried at cost less any accumulated impairment losses.

A discount on acquisition arising from business combination represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognized immediately in the income statement.

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

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

iv. Trademarks

On initial recognition, trademarks acquired from business combinations are recognized at cost. Trademarks with indefinite useful lives are not amortized but are tested for impairment annually by comparing their carrying amounts with their recoverable amounts. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

v. Other intangible assets

On initial recognition, other intangible assets acquired from business combinations are recognized at cost. After initial recognition, other intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

(e) Impairment

At the relevant reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill and intangible assets with indefinite useful lives which are disclosed in note (d) above) 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of an 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Investments in associates

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 any identified 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. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payment on behalf of that associate.

(g) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value.

i. Investments at fair value through profit and loss

The financial assets/liabilities at fair value through profit and loss held by the Group are debt securities with embedded derivative not separated, derivative financial instruments or securities held for trading purpose. They are carried at fair value, with any changes in fair value being recognized in the income statement.

ii. Available-for-sale investments

Available-for-sale investments are non-derivative instruments or instruments not held for trading purpose. They are carried at fair value, with any changes in fair value being recognized in investment revaluation reserve. Upon disposal or when these financial assets are determined to be impaired, the cumulative gain or loss previously recognized in investment revaluation reserve is removed from the reserve and recognized in the income statement.

iii. Loans and receivables

Loans and receivables (including debt investment and receivables) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any identified impairment losses.

iv. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

v. Other financial liabilities

Other financial liabilities including bank loans, other loans and payables are measured at amortised cost, using the effective interest method.

vi. Equity instruments

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

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

(i) 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 using the effective interest method. Disposal and trading of investments is recognized on a trade-date basis.

(j) 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 property, plant and equipment 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.

(k) Retirement benefit costs

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

(l) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

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 operations with financial records maintained in the functional currency that is different from the presentation currency are translated into the presentation currency 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.

Goodwill arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising therefrom are recognized in the exchange reserve.

(m) Share-based payment

The fair value of the share options granted by the Company is determined by reference to the fair value of the share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognized in employee share-based compensation reserve will be transferred to retained earnings or set off against accumulated losses where appropriate.

(n) 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 year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred 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 realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. Critical Accounting Estimates and Assumptions

In the process of applying the Group's accounting policies described in note 2, management has made estimates and assumptions concerning the future. The estimates and assumptions that have a significant impact on changes in value of the carrying amounts of the most significant amounts of assets/liabilities include goodwill and development costs.

In determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flow expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value of subsidiaries where the goodwill arises. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. As at 31 December 2005, no impairment loss has been identified.

Determining whether capitalized development cost is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected. As at 31 December 2005, no impairment loss has been identified.

Details of the impairment test on goodwill and capitalized development costs are set out in note 16.

As at 31 December 2005, a deferred tax assets of HK$7,216,000 in relation to unused tax losses has been recognized in the Group's balance sheet. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

5. Financial Risk Management

The Group's activities expose itself to different kinds of financial risks. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

Currency risk

The Group has some assets and liabilities and transactions denominated in foreign currency and is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

Interest rate risk

The Group's bank borrowings are floating rate borrowings based on market rates and is therefore exposed to cash flow interest rate risk. The Group currently does not use interest rate swap to swap its borrowings from floating rates to fixed rates. However, the management monitors interest rate risk and will consider using interest rate swap should the needs arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's available-for-sale investments and financial assets/liabilities at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

6. 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:

	2005	**2004**
	HK$'000	*HK$'000*
Environment	425,317	155,032
Health	117,167	5,478
Investment income	151,895	169,117
	694,379	329,627

7. Other Income

	2005	**2004**
	HK$'000	*HK$'000*
Included in other income are:		
Interest income from bank deposits	14,200	3,455
Amortization of discount of other investment	–	11,676
Discount on acquisition of subsidiary	–	3,288
Gain on disposal/redemption of investment in securities	–	23,559
Gain on disposal/redemption of available-for-sale investments	33,794	–
Gain on disposal/redemption of investments at fair value through profit and loss	29,349	–

8. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$172,579,000 (2004: HK$135,386,000) of which HK$25,092,000 (2004: HK$23,853,000) relating to development activities was capitalized and HK$4,776,000 (2004: Nil) relating to direct labour costs was allocated to cost of sales.

Staff costs also include operating lease rentals of HK$923,000 (2004: HK$793,000) in respect of accommodation provided to staff.

9. Finance Costs

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank loans	17,226	3,904
Other loan	692	492
Loan from a minority shareholder	1,470	–
Finance leases	106	42
	19,494	4,438

10. Taxation

	2005	2004
	HK$'000	*HK$'000*
Current tax		
Hong Kong	–	2,174
Other jurisdictions	6,501	228
Deferred tax *(Note 30)*		
Hong Kong	(843)	146
Other jurisdictions	(290)	–
	5,368	2,548

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.

The charge for the year can be reconciled to the profit/(loss) before taxation as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) before taxation	16,146	(2,619)
Notional tax at tax rate of 17.5%	2,826	(458)
Tax effect of share of results of associates	(584)	(399)
Tax effect of non-deductible expenses	9,912	3,890
Tax effect of non-taxable income	(38,360)	(33,289)
Tax effect of tax losses not recognized	28,724	31,878
Utilization of tax losses previously not recognized	(20)	(217)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,935	120
Others	(65)	1,023
Tax expenses	5,368	2,548

11. Profit/(Loss) for the Year

	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) for the year has been arrived at after charging:		
Auditors' remuneration	2,310	806
Depreciation of property, plant and equipment		
Owned assets	44,691	32,016
Assets held under finance leases	754	153
	45,445	32,169
Amount included in production overheads	(3,052)	–
Amount capitalized as development costs	(13,557)	(8,654)
	28,836	23,515
Research and development expenditure	72,933	82,730
Amount capitalized as development costs	(42,014)	(42,037)
	30,919	40,693
Amortization of development costs	2,860	2,481
	33,779	43,174
Development cost written off	–	12,204
Patents written off	–	2,470
Loss on disposal of property, plant and equipment	115	52
Allowance for bad debts	1,166	–
Inventories written off	843	2,107
Exchange loss	1,144	456
Share-based payment	623	5,897
Operating lease		
–Land	401	314
–Other properties	4,833	2,433
and after crediting:		
Interest income from available-for-sale investments		
–Listed	7,228	–
–Unlisted	19,952	–
Interest income from investments at fair value through profit and loss		
–Unlisted	99,442	–
Interest income from debt investment		
–Unlisted	21,899	–
Unrealized holding gain on trading securities	–	6,868
Interest income from investment in securities		
–Listed	–	29,524
–Unlisted	–	99,871
Interest income from other investment		
–Unlisted	–	21,594

12. Earnings/(Loss) Per Share

The calculations of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company are based on the following data:

	2005 *HK$'000*	2004 *HK$'000*
Profit/(loss) for the year		
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	12,234	(3,968)
Number of shares		
Number of ordinary shares (2004: weighted average) used in the calculation of basic earnings/(loss) per share	6,407,381,600	6,407,316,727
Effect of dilutive potential ordinary shares	–	546,091
Number of ordinary shares (2004: weighted average) used in the calculation of diluted earnings/(loss) per share	6,407,381,600	6,407,862,818

No diluted earnings per share is presented for the year ended 31 December 2005 because the exercise prices for the Company's outstanding share options were higher than the average market price of the shares of the Company and therefore the conversion of the share options would not have any dilutive effect on the earnings per share.

13. Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: Nil).

14. Property, Plant and Equipment

	Building	Building under construction in Mainland China	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation					
At 1 January 2004	101,044	–	81,031	40,788	222,863
Additions	–	463	112,010	7,568	120,041
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 1 January 2005	101,044	463	281,700	49,164	432,371
Additions	39	15,420	19,788	5,719	40,966
Acquired on acquisition of subsidiaries	4,387	–	12,645	2,989	20,021
Disposals	–	–	(1,382)	(1,518)	(2,900)
Transfer	–	(463)	463	–	–
Exchange difference	96	–	(3,964)	(12)	(3,880)
At 31 December 2005	105,566	15,420	309,250	56,342	486,578
Comprising:					
Cost	4,522	15,420	309,250	56,342	385,534
Valuation	101,044	–	–	–	101,044
	105,566	15,420	309,250	56,342	486,578
Depreciation					
At 1 January 2004	2,271	–	29,299	20,052	51,622
Provided for the year	2,270	–	20,911	8,988	32,169
Eliminated upon disposals	–	–	(170)	(938)	(1,108)
Exchange difference	–	–	991	362	1,353
At 1 January 2005	4,541	–	51,031	28,464	84,036
Provided for the year	2,849	–	31,327	11,269	45,445
Eliminated upon disposals	–	–	(801)	(1,134)	(1,935)
Exchange difference	111	–	(1,141)	109	(921)
At 31 December 2005	7,501	–	80,416	38,708	126,625
Net book value					
31 December 2005	98,065	15,420	228,834	17,634	359,953
31 December 2004	96,503	463	230,669	20,700	348,335

The building in Hong Kong was revalued at HK$101,000,000 on 31 December 2002 by the Directors on an open market value 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 2005, the fair value of this building did not differ materially from that of 31 December 2002. Had the building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$120,889,000 (2004: HK$123,806,000).

The net book value of the Group's property, plant and equipment held under finance leases included in furniture, fixtures and other assets amounted to HK$2,581,000 (2004: HK$1,469,000).

15. Prepaid Lease for Land

Prepaid lease for land represents prepaid lease for land in Hong Kong leased from Hong Kong Science and Technology Parks Corporation for a term up to 27 June 2047 and land use rights paid to the Mainland China Land Bureau for the use of land for a period for 50 years.

	2005	**2004**
	HK$'000	*HK$'000*
The Group's prepaid lease comprised:		
Leasehold land in Hong Kong under medium term lease	13,015	13,329
Leasehold land outside Hong Kong	14,812	14,589
	27,827	27,918

16. Intangible Assets

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000	Trademark HK$'000	Other Intangible assets HK$'000	Total HK$'000
Cost						
At 1 January 2004	95,389	10,471	–	–	–	105,860
Additions	50,691	2,181	–	–	–	52,872
Arising on acquisition of subsidiaries	–	56	34,215	–	–	34,271
Amount written off	(12,204)	(2,470)	–	–	–	(14,674)
Exchange difference	–	4	–	–	–	4
At 1 January 2005	133,876	10,242	34,215	–	–	178,333
Additions	56,299	2,086	–	–	–	58,385
Arising on acquisition of subsidiaries	–	–	395,769	79,830	22,205	497,804
Exchange difference	–	(9)	11,119	3,021	1,202	15,333
At 31 December 2005	190,175	12,319	441,103	82,851	23,407	749,855
Amortization						
At 1 January 2004	3,059	477	–	–	–	3,536
Provided for the year	2,481	348	–	–	–	2,829
Exchange difference	–	1	–	–	–	1
At 1 January 2005	5,540	826	–	–	–	6,366
Provided for the year	2,860	428	–	–	1,470	4,758
Exchange difference	–	(7)	–	–	–	(7)
At 31 December 2005	8,400	1,247	–	–	1,470	11,117
Net book value						
At 31 December 2005	181,775	11,072	441,103	82,851	21,937	738,738
At 31 December 2004	128,336	9,416	34,215	–	–	171,967

Goodwill arises from acquisition of 100% interest in Développement Santé Naturelle A.G. Ltée ("AG"), Nuturf Australia Pty Ltd ("Nuturf") and Envirogreen Pty Limited ("Envirogreen") on 15 May 2005, 4 August 2005 and 5 August 2005 respectively.

The total cost of acquisition of the subsidiaries during the year amounted to HK$513,262,000 (2004: HK$47,632,000) which comprises purchase consideration of HK$497,318,000 (2004: HK$44,748,000) and direct attributable acquisition costs of HK$15,944,000 (2004: HK$2,884,000).

Pursuant to the agreement for the acquisition of the interests in Fertico Pty Limited ("Fertico") in 2004, the purchase consideration, of which AU$4,000,000 was paid, is based on the net profits of Fertico 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.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired, by accessing the coming 5-year cash flow forecasts and the profit forecasts of the cash generating units which generate the goodwill.

The Group also tests the impairment of capitalized development cost by accessing, where appropriate, the cash flow forecasts, the profit forecasts and the progress of the research activities of the relevant product groups.

Other intangibles assets include customer base and non-competition agreement.

17. Interests in Associates

	2005	2004
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	25,497	25,497
Share of post-acquisition profits	5,425	2,088
	30,922	27,585

The summarized financial information in respect of the Group's associates is set out below:

	2005	2004
	HK$'000	*HK$'000*
Total assets	796,429	285,409
Total liabilities	(686,491)	(186,517)
Net assets	109,938	98,892
Group's share of net assets of associates	30,922	27,585
Revenue	1,653,789	946,330
Profit for the year	7,735	4,188
Group's share of results of associates for the year	3,337	2,279

18. Debt Investment

The investment represents the Group's sub-participation right in certain financial instrument issued by a financial institution with face value of approximately HK$229,738,000. The amount carries interest at prevailing market rate with maturity date on 31 March 2009.

19. Available-for-sale-investments

	2005
	HK$'000
Debt securities –unlisted	210,879

The above investments represent investments in unlisted debt securities that offer the Group the opportunity for return through interest income or fair value gain. Majority of the investments have no fixed coupon rate.

As at the balance sheet date, all available-for-sale investments were stated at fair value. Their fair values were determined based on the market prices provided by the relevant financial institutions or based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date.

20. Investments at Fair Value through Profit and Loss

	2005
	HK$'000
Equity securities held for trading – listed in Hong Kong at market value	1,746
Debt securities – unlisted	1,326,931
	1,328,677
Carrying amount analysed for reporting purpose as:	
Current	48,346
Non-current	1,280,331

The fair value of the above securities are determined based the market price provided by the relevant financial institutions.

21. Derivative Financial Instruments

	2005 Assets	2005 Liabilities
	HK$'000	*HK$'000*
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	12,478	(43,430)
Credit default swap	9,883	(11,306)
	22,361	(54,736)

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the market prices provided by the relevant financial institutions at the balance sheet date.

22. Investments in Securities

Investments in securities as at 31 December 2004 are set out below. Upon application of HKAS 39 on 1 January 2005, these investments were reclassified to appropriate categories under HKAS 39 as detailed in note 2.

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

23. Inventories

	2005	2004
	HK$'000	*HK$'000*
Raw materials	47,787	15,299
Work in progress	3,665	1,110
Finished goods	76,462	25,075
	127,914	41,484

The cost of inventories recognized as an expense during the year was HK$360,904,000 (2004: HK$128,989,000).

24. Receivables and Prepayments

	2005	2004
	HK$'000	*HK$'000*
Trade receivables	122,021	45,772
Other receivables, deposits and prepayments	80,969	94,708
	202,990	140,480
Trade receivables		
Aged 0 to 90 days	116,640	44,121
Aged more than 90 days	5,381	1,651

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

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

25. Payables and Accruals

	2005	2004
	HK$'000	*HK$'000*
Trade payables	79,989	23,954
Other payables and accrued charges	136,969	88,992
	216,958	112,946
Trade payables		
Aged 0 to 90 days	78,342	22,673
Aged more than 90 days	1,647	1,281

The Directors consider that the carrying amount of trade and other payable approximates their fair value.

26. Bank Loans

	2005	2004
	HK$'000	*HK$'000*
Bank loans repayable		
within 1 year	93,080	20,368
2 to 5 years	461,200	60,217
	554,280	80,585
Analysed as:		
Secured	373,650	61,785
Unsecured	180,630	18,800
	554,280	80,585
Carrying amount analysed for reporting purpose as:		
Current	93,080	20,368
Non-current	461,200	60,217

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2005	2004
	HK$'000	*HK$'000*
Canadian dollars *(note (a))*	373,650	–
Australian dollars *(note (b))*	108,630	61,785
Renminbi *(note (c))*	72,000	18,800
	554,280	80,585

Note:

(a) The bank loans are secured by a charge over the assets of a subsidiary and carries interest with reference to the Banker's Acceptance Rate plus a stamping fee of 0.5%. One of the loans is a demand operating facility and the other loan is for a period of three years from May 2005 to May 2008.

(b) The bank loans are unsecured and bear a floating interest with reference to the Bill Swap Reference Rate (Bid) plus 0.45% for a period of three years from August 2005 to August 2008.

(c) The bank loans are unsecured and bear a floating interest with reference to The People's Bank of China plus a margin ranging from 0% –1.023% and repayable within one year.

The bank loans are arranged at floating rates and the Directors consider that the carrying amount of the bank loans approximates their fair value.

27. Other Loan

Other loan in 2004 represented amount due by a subsidiary (the "Subsidiary") to a former fellow subsidiary before the Group acquired the Subsidiary. The amount was fully repaid during the year.

28. Finance Lease Obligations

	Minimum leases payment		Present value of minimum lease payments	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance leases obligations payable				
within one year	1,719	437	559	371
within two to five years	1,014	692	1,741	621
	2,733	1,129	2,300	992
Less: Future finance charges	(433)	(137)	N/A	N/A
Present value of finance leases obligations	2,300	992	2,300	992
Carrying amount analysed for reporting purpose as:				
Current			559	371
Non-current			1,741	621

The finance leases are secured on certain property, plant and equipment with average lease term of 3-4 years. No residual value is expected at the end of the term.

29. Loan From A Minority Shareholder

Loan from a minority shareholder was unsecured, bearing interest with reference to Bill Swap Reference Rate (Bid) plus 0.9% to 1.1% with effect from April 2005 and with no fixed terms of repayment. However, the minority shareholder has agreed not to demand repayment within one year. The loan was interest free prior to April 2005.

30. Deferred Taxation

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

	Accelerated tax depreciation	**Development costs**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2004	10,763	16,158	(26,921)	–
Charge/(credit) to income statement	(154)	6,301	(6,001)	146
As at 1 January 2005	10,609	22,459	(32,922)	146
Acquisition of subsidiaries	27,513	–	(665)	26,848
Charge/(credit) to income statement	(2,024)	8,430	(7,539)	(1,133)
Exchange difference	1,193	–	–	1,193
As at 31 December 2005	37,291	30,889	(41,126)	27,054

The following is the analysis of the deferred tax balances for balance sheet purpose:

	2005	**2004**
	HK$'000	*HK$'000*
Deferred tax liabilities	34,270	146
Deferred tax assets	(7,216)	–
	27,054	146

At the balance sheet date, the total un-utilized tax losses amounted to approximately HK$1,030,000,000 (2004: HK$819,244,000). A deferred tax asset has been recognized in respect of HK$219,766,000 (2004: HK$188,126,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$810,234,000 (2004: HK$631,118,000) 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$20,485,000 (2004: HK$11,267,000) arising in Mainland China can only be carried forward for five years subsequent to the year of tax losses incurred.

31. 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 2004	6,407,030	640,703
Shares issued under share option scheme	352	35
At 1 January 2005 and 31 December 2005	6,407,382	640,738

32. 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 2005, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 18,470,700 (2004: 21,250,000 shares), representing 0.29% (2004: 0.33%) of the share of the Company in issue at that date. Details of the share options granted are as follows:

Year 2005

	Number of share options							
Date of grant	**Outstanding as at 1 January 2005**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2005**	**Option period**	**Subscription price per share**
						HK$		
30/9/2002	3,660,500	–	–	472,000	–	3,188,500	30/9/2003 – 29/9/2012	1.598
27/1/2003	8,185,500	–	–	1,057,300	–	7,128,200	27/1/2004 – 26/1/2013	1.446
19/1/2004	9,404,000	–	–	1,250,000	–	8,154,000	19/1/2005 – 18/1/2014	1.762

Year 2004

	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 estimated fair values of the options granted on 2003 and 2004 are HK$0.74 and HK$0.72 respectively. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share options granted on	
	27 January 2003	**19 January 2004**
Exercise price	HK$1.446	HK$1.762
Expected volatility	35.78%	19.91%
Expected life	10 years	10 years
Risk-free rate	4.399%	4.034%
Expected dividend yield	0%	0%

In the current year, the Group has applied HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 January 2005. Comparative figures have been restated. The Group recognized the total expenses of HK$623,000 for the year ended 31 December 2005 (2004: HK$5,897,000) in relation to share options granted by the Company.

33. Pledge of Assets

Bank loan of HK$373,650,000 (2004: HK$61,785,000) is secured by a mortgage over the cash, accounts receivable, inventories, property, plant and equipment and other intangibles assets of a subsidiary with a carrying value of HK$160,627,000 as at 31 December 2005.

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

34. 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 in the second to fifth years inclusive under non-cancellable operating leases in respect of rented premises were HK$6,783,000 (2004: HK$4,434,000) and HK$22,999,000 (2004: HK$7,543,000) respectively.

35. Capital Commitment

	2005	**2004**
	HK$'000	*HK$'000*
Capital commitment in respect of the acquisition of laboratory instrument, plant and equipment		
– contracted but not provided for	2,481	14,618
– authorized but not contracted for	–	979
	2,481	15,597

36. 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$12,031,000 (2004: HK$8,905,000) and forfeited contribution during the year of HK$2,467,000 (2004: HK$1,273,000) was used to reduce the Group's contribution in the year.

37. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2005 were as follows:

Name of Director	Fees	Basic salaries and allowances	Bonuses	Retirement benefits scheme contributions	Total emoluments 2005	Total emoluments 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Li Tzar Kuoi, Victor	70	–	–	–	70	70
Kam Hing Lam	70	1,400	–	–	1,470	4,270
Ip Tak Chuen, Edmond	70	600	–	–	670	1,870
Yu Ying Choi, Alan Abel	70	4,789	1,300	470	6,629	6,356
Pang Shiu Fun	70	4,473	1,200	438	6,181	5,840
Chu Kee Hung	70	3,083	1,000	302	4,455	4,074
Lam Hing Chau, Leon	61	1,827	481	179	2,548	2,790
Kwan Chiu Yin, Robert	38	–	–	–	38	89
Peter Peace Tulloch	70	–	–	–	70	70
Wong Yue-chim, Richard	140	–	–	–	140	140
Kwok Eva Lee	160	–	–	–	160	140
Colin Stevens Russel	160	–	–	–	160	–
	1,049	16,172	3,981	1,389	22,591	25,709

The Directors' fees included an amount of HK$70,000 (2004: HK$70,000) for each director and an additional amount of HK$70,000 (2004: HK$70,000) and HK$20,000 (2004: Nil) for each Independent Non-executive Director who is also a member of the audit committee and remuneration committee respectively. Such fees would be proportioned according to the length of services of the directors during the year.

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

None of the Directors waived any emoluments in the year ended 31 December 2005. 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 (2004: four) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining one (2004: one) are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Salary and other benefits	4,488	3,234
Bonus	–	3,000
Retirement benefits scheme contributions	360	240
	4,848	6,474

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.

38. Purchase of Subsidiaries

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	20,021	–	20,021
Intangible assets – trademark	–	79,830	79,830
– other intangible assets	–	22,205	22,205
Deferred tax assets	3,612	–	3,612
Inventories	57,309	–	57,309
Receivables and prepayments	32,059	–	32,059
Bank balances and cash	3,739	–	3,739
Payable and accruals	(50,005)	–	(50,005)
Bank overdrafts	(5,237)	–	(5,237)
Taxation	1,779	–	1,779
Bank and other loans	(17,359)	–	(17,359)
Deferred tax liabilities	–	(30,460)	(30,460)
	45,918	71,575	117,493
Goodwill on acquisition			395,769
Total consideration			513,262
Discharged by:			
Cash payment (including acquisition costs)			513,262
Cash and cash equivalents purchased			1,498
			514,760

Goodwill arising from acquisition of 100% interest in AG, Nuturf and Envirogreen on 15 May 2005, 4 August 2005 and 5 August 2005 respectively is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combinations.

The subsidiaries acquired during the year contributed HK$277,662,000 to the Group's turnover and profit of HK$11,093,000 to the profit attributable to equity holders of the Company.

If the acquisition had been completed on 1 January 2005, total group turnover for the year would have been HK$916,957,000, and profit for the year would have been HK$11,364,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

39. 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**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	425,317	155,032	117,167	5,478	151,895	169,117	–	–	694,379	329,627
Segment results	(21,482)	(44,695)	(5,316)	(29,989)	187,060	204,423	–	–	160,262	129,739
Other income									4,277	7,265
Business development expenditure	–	–	–	–	–	–	(28,889)	(26,007)	(28,889)	(26,007)
Research and development expenditure	–	–	–	–	–	–	(26,843)	(39,308)	(26,843)	(39,308)
Corporate expenses									(76,504)	(76,328)
Finance costs	(10,257)	(4,438)	(9,237)	–	–	–	–	–	(19,494)	(4,438)
Gain on disposal of an associate									–	4,179
Share of results of associates	3,337	2,279	–	–	–	–	–	–	3,337	2,279
Profit/(loss) before taxation									16,146	(2,619)
Taxation									(5,368)	(2,548)
Profit/(loss) for the year									10,778	(5,167)
Segment assets	474,427	314,987	353,461	153,778	1,819,390	1,892,260	–	–	2,647,278	2,361,025
Goodwill	143,322	34,215	297,781	–	–	–	–	–	441,103	34,215
Interests in associates	30,922	27,585	–	–	–	–	–	–	30,922	27,585
Bank balances and deposits									372,433	442,850
Other assets									189,147	197,132
Total assets									3,680,883	3,062,807
Segment liabilities	(300,703)	(83,718)	(396,435)	(6,078)	(96,115)	–	–	–	(793,253)	(89,796)
Other liabilities									(103,543)	(128,023)
Total liabilities									(896,796)	(217,819)
Other information										
Amortization of intangible assets	2,781	2,769	1,977	60	–	–	–	–	4,758	2,829
Depreciation	6,685	3,957	8,196	10,711	–	–	13,955	17,501	28,836	32,169
Capital additions	23,143	92,714	65,149	78,729	–	–	11,059	16,059	99,351	187,502

(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**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	17,059	24,202	635,070	380,830	62,183	66,810
Canada	111,300	–	460,480	–	2,603	–
Mainland China	138,109	84,083	267,724	248,651	28,732	116,596
Other Asian countries	7,444	1,932	103,253	122,258	–	–
Australia	278,062	68,222	414,695	180,312	3,747	1,915
America	28,762	622	569,654	270,709	–	–
Europe *(Note)*	113,643	150,566	1,230,007	1,860,047	2,086	2,181
	694,379	329,627	3,680,883	3,062,807	99,351	187,502

Note: Including mainly financial instruments.

40. Related Party Transactions

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

a) The Group made sales of HK$3,308,000 (2004: HK$3,358,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

b) The Group made sales of HK$16,552,000 (2004: HK$18,862,000) 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 emoluments of key management have been presented in note 37 above.

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 VI, a copy of the following report is available for inspection.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CK LIFE SCIENCES INT'L., (HOLDINGS) INC.

We report on the unaudited pro forma financial information of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the proposed acquisition of Vitaquest International Holdings LLC might have affected the financial information presented, for inclusion in circular dated 18 April 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 78 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information 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 (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information 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 unaudited pro forma financial information 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2005 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2005 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 18 April 2006

1. PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group has been prepared based on the audited financial statements of the Group for the year ended 31 December 2005 and the financial information of Vitaquest for the year ended 31 December 2005 extracted from the Accountants' Report set out in Appendix III of the Circular and adjusted for the transaction resulting from the Acquisition. The financial information of Vitaquest is translated from US$ to HK$ at the rate of 7.78.

Unaudited Pro Forma Income Statement Of The Enlarged Group

The following is a summary of the unaudited pro forma income statement of the Enlarged Group, assuming that the Acquisition had taken place on 1 January 2005 for the purpose of illustrating how the Acquisition might have affected the results of the Group.

The unaudited pro forma income statement 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 results of the Enlarged Group for the year ended December 2005 or any future period shall be.

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Turnover	694.4	1,112.2	1,806.6		1,806.6
Costs of sales	(386.5)	(717.3)	(1,103.8)		(1,103.8)
	307.9	394.9	702.8		702.8
Other income	80.4	3.0	83.4		83.4
Staff cost	(142.7)	(153.6)	(296.3)		(296.3)
Depreciation	(28.8)	(17.0)	(45.8)		(45.8)
Amortization of intangible assets	(4.8)	(2.2)	(7.0)		(7.0)
Fair value change of financial instruments	(28.2)	5.9	(22.3)		(22.3)
Other operating expenses	(151.5)	(166.4)	(317.9)		(317.9)
Finance costs	(19.5)	(122.4)	(141.9)	14.6(1) 24.1(2)	(103.2)
Share of results of associates	3.3	–	3.3		3.3
Profit/(loss) before taxation	16.1	(57.8)	(41.7)		(3.0)
Taxation	(5.4)	(0.1)	(5.5)		(5.5)
Profit/(loss) after tax for the period from continuing operations	10.7	(57.9)	(47.2)		(8.5)
Profit from discontinued operations	–	6.9	6.9		6.9
Profit/(loss) for the period attributable to shareholders/members	10.7	(51.0)	(40.3)		(1.6)
Attributable to:					
Equity holders of the Company	12.2	(51.0)	(38.8)		2.4
Minority interests	(1.5)	–	(1.5)	(2.5)(3)	(4.0)
	10.7	(51.0)	(40.3)		(1.6)

Notes:

(1) To eliminate interests on the senior preferred interests which will form part of the Vitaquest Acquisition.

(2) To eliminate interests on the convertible preferred interests which will be converted into common equity prior to the VQ Completion and form part of the Vitaquest Acquisition.

(3) To reflect the minority shareholders' share of the Target Group's loss for the period.

Unaudited Pro Forma Balance Sheet Of The Enlarged Group

The following is a summary of the unaudited pro forma balance sheet of the Enlarged Group, assuming that the Acquisition, had been completed on 31 December 2005 for the purpose of illustrating how the Acquisition might have affected the financial position of the Group.

The unaudited pro forma balance sheet 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 financial position of the Enlarged Group shall be on actual completion of the Acquisition.

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Non-current assets					
Property, plant and equipment	360.0	85.8	445.8		445.8
Prepaid lease for land	27.8	–	27.8		27.8
Intangible assets	738.7	12.6	751.3	1,884.0 (6)	2,635.3
Interests in associates	30.9	–	30.9		30.9
Debt investment	174.2	–	174.2		174.2
Available-for-sale investments	210.9	–	210.9		210.9
Investments at fair value through profit and loss	1,280.3	–	1,280.3		1,280.3
Deferred taxation	7.2	–	7.2		7.2
Amount due from a related party	–	3.7	3.7		3.7
Other assets	–	4.6	4.6		4.6
	2,830.0	106.7	2,936.7		4,820.7
Current assets					
Debt investment	37.0	–	37.0		37.0
Investments at fair value through profit and loss	48.3	–	48.3		48.3
Derivative financial instruments	22.4	5.9	28.3		28.3
Inventories	127.9	115.9	243.8		243.8
Receivables and prepayments	203.0	294.0	497.0		497.0
Taxation	0.8	–	0.8		0.8
Deposit with financial institution	39.0	–	39.0		39.0
Amounts due from related parties	–	5.6	5.6		5.6
Bank balances and deposits	372.4	3.7	376.1	(1,146.0)(1) (170.2)(2) (1,081.4)(3) 1,167.0 (4) 854.5 (8)	–
	850.8	425.1	1,275.9		899.8

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Current liabilities					
Payables and accruals	(216.9)	(198.5)	(415.4)		(415.4)
Bank loans and borrowings	(93.0)	(1,081.4)	(1,174.4)	1,081.4(3) (854.5)(8)	(947.5)
Finance lease obligations	(0.6)	(2.6)	(3.2)		(3.2)
Derivative financial instruments	(54.7)	–	(54.7)		(54.7)
	(365.2)	(1,282.5)	(1,647.7)		(1,420.8)
Net current assets/ (liabilities)	485.6	(857.4)	(371.8)		(521.0)
Total assets less current liabilities	3,315.6	(750.7)	2,564.9		4,299.7
Non-current liabilities					
Bank loans	(461.2)	–	(461.2)	(1,167.0)(4)	(1,628.2)
Loan from a minority shareholder	(34.3)	–	(34.3)		(34.3)
Finance lease obligations	(1.7)	(1.6)	(3.3)		(3.3)
Senior preferred interests	–	(170.2)	(170.2)	170.2 (2)	–
Convertible preferred interests	–	(282.1)	(282.1)	282.1 (5)	–
Deferred taxation	(34.3)	–	(34.3)		(34.3)
	(531.5)	(453.9)	(985.4)		(1,700.1)
Total net assets	2,784.1	(1,204.6)	1,579.5		2,599.6
Capital and reserves					
Share capital	640.7	–	640.7		640.7
Share premium and reserves	2,095.6	–	2,095.6		2,095.6
Members' interests	–	(1,204.6)	(1,204.6)	282.1(5) 738.0(6) 184.5(7)	–
Equity attributable to equity holders of the Company	2,736.3	(1,204.6)	1,531.7		2,736.3
Minority interests	47.8	–	47.8	(184.5)(7)	(136.7)
Total equity	2,784.1	(1,204.6)	1,579.5		2,599.6

Notes:

(1) To reflect the acquisition of 80% of the common equity interests by cash.

(2) To reflect the acquisition of 100% of the Senior preferred interests by cash.

(3) To reflect the repayment of the bank loan and bank overdraft.

(4) To reflect the refinancing of the bank loans by a new USD150 million facility.

(5) To reflect the conversion of Convertible preferred interest into common equity interests prior to the VQ Completion.

(6) To eliminate the Group's cost of acquisition against equity of Target Group acquired, to reflect fair value of assets and liabilities acquired and to take up goodwill on consolidation.

(7) To reflect the minority interest in the Target Group.

(8) To reclassify the negative balance to current liabilities.

Unaudited Pro Forma Cash Flow Statement Of The Enlarged Group

The following is a summary of the unaudited pro forma cash flow statement of the Enlarged Group, assuming that the Acquisition had taken place on 1 January 2005 for the purpose of illustrating how the Acquisition might have affected the cash flows of the Group.

The unaudited pro forma cash flow statement 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 give a true picture of the cash flows of the Enlarged Group for the year ended 31 December 2005 or any future period.

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Profit/(loss) before taxation	16.1	(70.3)	(54.2)		(54.2)
Share of results of associates	(3.3)	–	(3.3)		(3.3)
Profit from discontinued operations	–	6.9	6.9		6.9
Finance costs	19.5	134.9	154.4		154.4
Depreciation	28.8	17.0	45.8		45.8
Amortisation of prepaid lease for land	0.4	–	0.4		0.4
Gain on disposal/ redemption of available-for-sale investments	(33.8)	–	(33.8)		(33.8)
Gain on disposal/ redemption of investments at fair value through profit and loss	(29.3)	–	(29.3)		(29.3)
Gain on disposal of a subsidiary	–	(7.1)	(7.1)		(7.1)
(Gain)/loss on disposal of property, plant and equipment	0.1	(0.1)	(0.0)		(0.0)
Interest income	(14.2)	(3.0)	(17.2)		(17.2)
Amortization of intangible assets	4.8	2.2	7.0		7.0
Provision and write-off of doubtful debts	1.2	12.1	13.3		13.3
Stock written off	0.8	–	0.8		0.8
Fair value changes of financial instruments	28.2	(5.9)	22.3		22.3
Share-based payment	0.6	–	0.6		0.6

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Operating profit before working capital changes	19.9	86.7	106.6		106.6
Increase in inventories	(31.2)	(14.7)	(45.9)		(45.9)
Increase in receivables and prepayments	(48.9)	(72.5)	(121.4)		(121.4)
Increase in amount due from related parties	–	(9.3)	(9.3)		(9.3)
Increase in other non-current assets	–	2.0	2.0		2.0
Increase in payables and accruals	84.0	77.5	161.5		161.5
Decrease in other non-current liabilities	–	(4.3)	(4.3)		(4.3)
Profits tax paid	(6.6)	(1.1)	(7.7)		(7.7)
Net cash from operating activities	17.2	64.3	81.5		81.5
Investing activities					
Purchases of property, plant and equipment	(57.1)	(18.7)	(75.8)		(75.8)
Proceeds from disposal of property, plant and equipment	0.9	9.3	10.2		10.2
Purchase/disposal of subsidiaries	(514.8)	2.0	(512.8)	(1,340)[(1)]	(1,852.8)
Purchases of financial instruments	(1,195.8)	–	(1,195.8)		(1,195.8)
Proceeds from disposal/ redemption of investments in securities	1,275.0	–	1,275.0		1,275.0
Expenditure on intangible assets	(44.8)	(0.2)	(45.0)		(45.0)
Increase in deposit with financial institution	(39.0)	–	(39.0)		(39.0)
Repayment of debt investment	39.4	–	39.4		39.4
Interest received	14.2	0.0	14.2		14.2
Net cash used in investing activities	(522.0)	(7.6)	(529.6)		(1,869.6)
Financing activities					
New bank loans	519.6	1,260.0	1,779.6	1,167.0 [(2)]	2,946.6
Repayment of bank loans	(80.6)	(318.9)	(399.5)	(1,067.5)[(3)]	(1,467.0)
Repayment of other loan	(13.7)	–	(13.7)		(13.7)
Finance leases obligations repaid	(0.3)	(2.9)	(3.2)		(3.2)
Distributions paid	–	(898.0)	(898.0)		(898.0)
Interest paid	(19.5)	(83.2)	(102.7)		(102.7)
Loan from a minority shareholder of a subsidiary	29.5	–	29.5		29.5
Net cash from/(used in) financing activities	435.0	(43.0)	392.0		491.5

	The Group	Target Group	Total	Pro-forma Adjustments	Enlarged Group
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Net (decrease)/increase in cash and cash equivalents	(69.8)	13.7	(56.1)		(1,296.6)
Cash and cash equivalents at beginning of the year	442.8	(22.5)	420.3	22.4(1)	442.7
Effect of foreign exchange rate changes	(0.6)	(1.4)	(2.0)	1.4(1)	(0.6)
Cash and cash equivalents at end of the year	372.4	(10.2)	362.2		(854.5)
Represented by:					
Bank balances and cash	372.4	3.7	376.1		(854.5)
Bank overdrafts		(13.9)	(13.9)	13.9(3)	–
Bank balances and cash	372.4	(10.2)	362.2		(854.5)

Notes:

(1) To reflect the net cash outflow on acquisition of 80% of the common equity interests and 100% of the Senior preferred interests in the Target Group.

(2) To reflect the refinancing of the bank loans by a new facility of USD150 million .

(3) To reflect the repayment of bank loans and bank overdraft.

2. INDEBTEDNESS

At the close of business on 28 February 2006, the Enlarged Group has a total borrowing of HK$1,963.6 million. These borrowings comprised of secured borrowings of HK$1,528.6 million, preferred interests of HK$173.2 million, other unsecured loans of HK$255.9 million and finance lease obligations of HK$5.9 million.

As at 28 February 2006, the Enlarged Group had capital commitment of approximately HK$2.0 million.

As at 28 February 2006, certain assets with a net book value of HK$699.8 million were pledged to secure borrowing facilities granted to the Enlarged Group.

Save as disclosed herein, the Enlarged Group did not have any mortgages, charges, debt securities or loan capital, issued or outstanding or authorised or otherwise, created but unissued, or other borrowings or indebtedness, mortgages and charges or contingent liabilities as at 28 February 2006.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the internal resources and the banking and other facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements following the completion of the Vitaquest Acquisition.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position of the Group since 31 December 2005, 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, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VI, a copy of the following report is available for inspection.

PRICEWATERHOUSECOOPERS
羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

18 April 2006

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

Dear Sirs

We set out below our report on the financial information relating to Vitaquest International Holdings LLC ("VQH") and its subsidiaries (hereinafter collectively referred to as the "VQH Group") for each of the three years ended 31 December 2003, 2004 and 2005 (the "Relevant Periods") for inclusion in the circular of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") dated 18 April 2006 (the "Circular") in connection with the proposed acquisition of 80% of the entire issued members' interests and 100% of the non-voting senior preferred interests of VQH by the Company.

VQH was incorporated in the United States of America as a limited liability company under the laws of the State of Delaware on 18 January 2005. Pursuant to a group reorganisation as detailed in Note 1 of Section II below, VQH became the holding company of Vitaquest International LLC ("VQ Int'l", formerly known as "Vitaquest International Inc."). As at the date of this report, VQH has a direct 100% members' interests in VQ Int'l.

VQ Int'l was incorporated in the United States of America on 16 April 1996 with 146,000 common stocks of US$0.01 each. On 11 February 2005, VQ Int'l was converted to a limited liability company. Its principal activities are the manufacturing and selling of nutritional and custom dietary supplements in the United States of America. All companies comprising the VQH Group have adopted 31 December as their financial year end date.

The following financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP Financial Statements") were not audited by PricewaterhouseCoopers for the years ended 31 December 2003, 2004 and 2005 but by other auditors as detailed below:

Name	**Financial year ended 31 December**	**Auditors**
VQ Int'l	2003, 2004 and 2005	Weiser LLP
Nu-Life Corp. (Note)	2003 and 2004	Mintz & Partners LLP

Note: Nu-life Corp was a subsidiary of VQ Int'l until 10 January 2005 when it was disposed of.

For the purpose of this report, the directors of VQH have prepared the financial statements of VQH and the VQH Group for the Relevant Periods ("HKFRS financial statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of VQH are responsible for preparing the HKFRS financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the HKFRS financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information set out in Sections I to II below (the "Financial Information") has been prepared based on the HKFRS financial statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of VQH and the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion the Financial Information, for the purpose of this report and prepared on the basis set out in Note 2.1 of Section II below, gives a true and fair view of the state of affairs of the VQH Group as at 31 December 2003, 2004 and 2005, and of VQH as at 31 December 2005 and of the results and cash flows of the VQH Group for the Relevant Periods.

I FINANCIAL INFORMATION

(a) Consolidated income statements

	Note	Year ended 31 December 2003	2004	2005
		US$'000	US$'000	US$'000
Continuing operations:				
Sales	5	129,325	141,592	142,960
Cost of sales	7	(76,766)	(82,108)	(92,200)
Gross profit		52,559	59,484	50,760
Other income and gains	6	7,624	1,774	1,145
Selling and distribution expenses	7	(12,376)	(12,428)	(10,947)
General and administrative expenses	7	(18,667)	(17,248)	(26,163)
Other operating expenses	7	(10,605)	(5,917)	(6,490)
Operating profit		18,535	25,665	8,305
Finance costs	8			
– bank borrowings, note payable and finance leases		(3,080)	(1,255)	(10,758)
– senior preferred interests		–	–	(1,872)
– convertible preferred interests		–	–	(3,103)
Profit/(loss) before taxation		15,455	24,410	(7,428)
Income tax expense	11	(90)	(185)	(11)
Profit/(loss) for the year from continuing operations		15,365	24,225	(7,439)
Discontinued operations:				
(Loss)/profit for the year from discontinued operations	35	(493)	(2,658)	892
Profit/(loss) for the year attributable to the members of VQH		14,872	21,567	(6,547)
Earnings/(loss) per unit of members' interests for profit/(loss) attributable to members of VQH				
– Basic (US$)	12	1.49	2.17	(0.65)
Distributions	14	6,381	7,503	146,857

(b) Consolidated balance sheets

	Note	At 31 December 2003 US$'000	2004 US$'000	2005 US$'000
Non-current assets				
Property, plant and equipment	*15*	11,440	12,200	11,023
Note receivable from an affiliated trust	*17, 32(v)*	29,301	31,047	–
Intangible assets	*18*	1,793	1,870	1,616
Other assets		519	839	587
Amount due from a related party	*22, 32(v)*	–	–	478
		43,053	45,956	13,704
Current assets				
Inventories	*20*	14,651	16,679	14,893
Trade receivables	*21*	21,879	28,690	32,644
Prepayments and other receivables		2,578	3,369	5,147
Derivative financial instruments	*19*	–	–	756
Amount due from a related party	*22, 32(v)*	300	–	720
Cash and cash equivalents	*23*	2,963	185	481
		42,371	48,923	54,641
Current liabilities				
Borrowings	*25*	22,983	19,635	139,330
Trade payables	*24*	11,836	15,446	13,750
Accruals and other payables		7,439	6,561	11,759
Amount due to a related party	*22, 32(v)*	–	122	–
Current income tax liabilities		24	126	–
		42,282	41,890	164,839
Net current assets/(liabilities)		89	7,033	(110,198)
Total assets less current liabilities		43,142	52,989	(96,494)

(b) Consolidated balance sheets (continued)

		At 31 December		
	Note	**2003**	**2004**	**2005**
		US$'000	*US$'000*	*US$'000*
Equity				
Capital and reserves attributable to the members of VQH				
Members' interests	*27(c)*	37,544	51,913	(154,832)
Non-current liabilities				
Borrowings	*25*	849	523	209
Note payable to a member	*26, 32(v)*	4,243	–	–
Other liabilities		506	553	–
12% senior preferred interests ("SPI")	*27(a)(iv)*	–	–	21,872
8% convertible preferred interests ("CPI")	*27(a)(v)*	–	–	36,257
Total equity and non-current liabilities		43,142	52,989	(96,494)

(c) Balance sheet

	Note	At 31 December 2005 US$'000
Non-current assets		
Investments in subsidiaries	*16*	153,143
Total assets		153,143
Equity		
Capital and reserves attributable to VQH's members		
Members' interests	*27(d)*	95,014
Non-current liabilities		
12% senior preferred interests	*27(a)(iv)*	21,872
8% convertible preferred interests	*27(a)(v)*	36,257
Total equity and non-current liabilities		153,143

As VQH was incorporated on 18 January 2005, there were no comparative figures for VQH's balance sheets as at 31 December 2004 and 2003.

(d) Consolidated cash flow statements

	Note	Year ended 31 December 2003 US$'000	2004 US$'000	2005 US$'000
Operating activities				
Net cash inflow generated from operations	29(a)	23,735	16,838	8,406
Income tax paid		(115)	(108)	(137)
Net cash inflow from operating activities		23,620	16,730	8,269
Investing activities				
Purchases of property, plant & equipment		(1,553)	(2,802)	(2,403)
Purchases of intangible assets		(254)	(345)	(24)
Sales of property, plant & equipment		692	–	1,196
Acquisition of subsidiaries	28	477	–	–
Disposal of subsidiaries	35	–	–	256
Interests received		10	25	5
Net cash outflow from investing activities		(628)	(3,122)	(970)
Financing activities				
Repayment of note payable to a member		(607)	(4,243)	–
Proceeds from bank loans	29(c)	27,000	10,500	161,950
Repayment of bank loans	29(c)	(37,887)	(14,357)	(40,990)
Distributions paid		(6,381)	(7,503)	(115,429)
Interest paid		(3,020)	(1,170)	(10,698)
Repayment of interest element on finance leases		(60)	(85)	(60)
Repayment of capital portion of finances leases	29(c)	(133)	(295)	(311)
Repayment of interest rate swap		(1,647)	–	–
Net cash outflow from financing activities		(22,735)	(17,153)	(5,538)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		257	(3,545)	1,761
Cash and cash equivalents and bank overdrafts at the beginning of the year		253	377	(2,879)
Effect of foreign exchange rate changes		(133)	289	(187)
Cash and cash equivalents and bank overdrafts at the end of the year		377	(2,879)	(1,305)

(e) Consolidated statements of changes in equity

	Note	Year ended 31 December 2003 US$'000	2004 US$'000	2005 US$'000
Total equity at the beginning of the year		29,171	37,544	51,913
Exchange difference on translation of financial statements of the then overseas subsidiaries	*27(c)*	(118)	305	(187)
Net (expense)/income recognised directly in equity		(118)	305	(187)
Profit/(loss) for the year	*27(c)*	14,872	21,567	(6,547)
Total recognised income/(expense) for the year		14,754	21,872	(6,734)
Distributions	*14, 27(c)*	(6,381)	(7,503)	(146,857)
Issue of SPI	*14, 27(c)*	–	–	(20,000)
Transfer to liability component of CPI	*27(c)*	–	–	(33,154)
Total equity/(deficit) at the end of the year		37,544	51,913	(154,832)

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Organisation and principal activities

VQH is a limited liability company incorporated on 18 January 2005 under the laws of Delaware in the United States of America ("US") as a result of a group reorganisation (the "Reorganisation") of VQ Investments Inc. ("VQI"). Pursuant to the Reorganisation effectuated on 11 February 2005, VQI contributed its 100% members' interests in Vitaquest International LLC ("VQ Int'l") into VQH.

The address of VQH's registered office is 8 Henderson Drive, West Caldwell, NJ 07006, US.

VQH and its subsidiaries (together the "VQH Group") are engaged in the business of supplying and manufacturing of nutritional supplements worldwide, the operations of which are in the US. The VQH Group also formulates, develops and manufactures custom dietary supplements. Moreover, the VQH Group sells its own branded as well as third party products to mass merchants, drug store chains, independent pharmacies, supermarkets and health food stores.

On 1 January 2003, VQ Int'l acquired Nu-Life Corp. ("Nu-Life"), the only overseas subsidiaries group, which develops, markets and distributes branded nutritional supplements. Nu-Life's products are sold through drug stores, supermarkets, mass merchant retailers, health food stores and health care professionals throughout Canada. As a result of the Reorganisation, effective 10 January 2005, all VQ Int'l's interests in Nu-Life was disposed of, and Nu-Life became the discontinued operation of the VQH Group.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Application of merger accounting

VQH and VQ Int'l are under common control of VQI before and after the Reorganisation. The VQH Group has applied the Accounting Guideline No. 5 – "Merger Accounting for Common Control Combination", using the principles of merger accounting, in accounting for the Reorganisation of VQI. The consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the VQH Group as if the Reorganisation had been completed on 1 January 2003, the beginning of the earliest period presented and businesses of VQ Int'l and its then subsidiary, Nu-Life, (collectively as "Former VQ Int'l Group") had always been carried out by the VQH Group and the carrying values of the VQH Group represent that of the Former VQ Int'l Group from the perspective of VQI. The fair value of the contribution made by VQI in the form of transfer of the 100% members' interests in VQ Int'l to VQH upon the Reorganisation was US$300 million.

An uniform set of accounting policies has been adopted by the VQH Group prior to the Reorganisation. Therefore, the VQH Group recognises the assets, liabilities and equity of the Former VQ Int'l Group at the carrying amounts in the consolidated financial statements of VQI prior to the common control combination. As consolidated financial statements were not previously prepared by VQI, the carrying amounts are included as if such consolidated financial statements had been prepared. The effects of all transactions between the entities now comprising the VQH Group, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of VQH. There is no recognition of any goodwill or excess of VQH's interest in the net fair value of Former VQ Int'l Group's identifiable assets, liabilities and contingent liabilities over cost at the time of this combination. The transaction costs for the Reorganisation were expensed. The results and fair value of net assets of Nu-Life are included in the consolidated financial statements of VQH Group from the date of the acquisition on 1 January 2003 using the acquisition values recognised at that time.

The consolidated balance sheet of VQH as at 31 December 2003:

	VQH	Former VQ Int'l Group	Adjustments	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
Investments in VQ Int'l	300,000	–	(300,000)	–
Other assets	–	37,544		37,544
Net assets	300,000	37,544		37,544
Common stock	–	1	(1)	–
Capital reserve	300,000	–		300,000
Merger reserve	–	–	(299,999)	(299,999)
Retained earnings and other reserve	–	37,543		37,543
	300,000	37,544		37,544

Adjustments:

The above represents an adjustment to eliminate the common stock of VQ Int'l against the investment cost of VQH. An adjustment of US$300 million has been made to the merger reserve in the consolidated financial statements of VQH.

The consolidated balance sheet of VQH as at 31 December 2004:

	VQH	Former VQ Int'l Group	Adjustments	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
Investments in VQ Int'l	300,000	–	(300,000)	–
Other assets	–	51,913		51,913
Net assets	300,000	51,913		51,913
Common stock	–	1	(1)	–
Capital reserve	300,000	–		300,000
Merger reserve	–	–	(299,999)	(299,999)
Retained earnings and other reserve	–	51,912		51,912
	300,000	51,913		51,913

Adjustments:

The above represents an adjustment to eliminate the common stock of VQ Int'l against the investment cost of VQH. An adjustment of US$300 million has been made to the merger reserve in the consolidated financial statements of VQH.

The consolidated balance sheet of VQH as at 31 December 2005:

	VQH	VQ Int'l	Adjustments	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
Investments in VQ Int'l	153,143	–	(153,143)	–
Other liabilities	(58,129)	(96,703)		(154,832)
Net assets/(liabilities)	95,014	(96,703)		(154,832)
Common stock	–	–		–
Capital reserve and convertible preferred interests	99,989	–		99,989
Merger reserve	–	–	(153,142)	(153,142)
Accumulated losses	(4,975)	(96,703)	(1)	(101,679)
	95,014	(96,703)		(154,832)

Adjustments:

The above represents an adjustment to eliminate the common stock of VQ Int'l against the investment cost of VQH.

An adjustment of US$153 million (after transferring US$147 million to accumulated losses) has been made to the merger reserve in the consolidated financial statements of VQH.

The consolidated income statements of VQH are:

	VQH	VQ Int'l Group *(Note)*	Adjustments	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
Profit attributable to the members of VQH for the year ended 31 December 2003	–	14,872	–	14,872
Profit attributable to the members of VQH for the year ended 31 December 2004	–	21,567	–	21,567
Loss attributable to the members of VQH for the year ended 31 December 2005	(4,975)	(1,572)	–	(6,547)

Note: The Financial Information includes the consolidated results of VQ Int'l and its then subsidiary, Nu-Life, up to 10 January 2005 and the results of VQ Int'l thereafter.

2.1.2 Adoption of HKFRS

The Financial Information of VQH has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, has been applied in preparing these financial statements. This is the first set of VQH's financial statements prepared in accordance with HKFRS. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In 2004, the HKICPA issued a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. VQH has adopted all these new HKFRSs in preparing the Financial Information throughout the Relevant Periods.

Reconciliations and descriptions of the effect of the transition from generally accepted accounting principles in the United States of America ("US GAAP") to HKFRS on the VQH Group's equity and its net loss are set out in Note 33 to this report.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying VQH's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 to this report.

2.1.3 New standards, amendments and interpretations effective beginning on or after 1 January 2006

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the VQH Group's accounting periods beginning on or after 1 January 2006 or later periods but which the VQH Group has not early adopted, as follows:

HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The VQH Group believes that this amendment should not have a significant impact on the classification of financial instruments. The VQH Group will apply this amendment from annual periods beginning 1 January 2006.

HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from 1 January 2006) allows the foreign currency risk of a highly probable forecast intra-group transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the VQH Group's operations, as the VQH Group does not have any intra-group transactions that would qualify as a hedged item in the consolidated financial statements as at 31 December 2003, 2004 and 2005.

HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006) require issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to HKAS 39 and concluded that it is not relevant to the VQH Group.

HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007) introduce new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The VQH Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the additional disclosures will be mainly the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The VQH Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006) requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the VQH Group's operations.

2.2 Consolidation

The consolidated financial statements include the financial statements of VQH and all of its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the VQH Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the VQH Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the VQH Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the VQH Group, other than acquisitions under common control. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the VQH Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between VQH Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the VQH Group.

In VQH's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by VQH on the basis of distributions received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

No business or geographical segment analysis is presented as all operations, assets and liabilities of the VQH Group during the Relevant Periods are related to the supplying and manufacturing of nutritional and custom dietary supplements, and over 90% of the assets and customers are located in the US.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the VQH Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in US dollars, which is also VQH's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) VQH Group companies

The results and financial positions of all the VQH Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to members' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the construction or acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the VQH Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold improvements	Shorter of the lease terms or life of the remaining years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years
Motor vehicles	5 to 10 years
Computer equipment	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.6 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five to ten years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The VQH Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "note receivable from an affiliated trust", "trade receivable" and "prepayments and other receivables" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date - the date on which the VQH Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the VQH Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other income and gains - net' in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the VQH Group's right to receive payments is established.

The VQH Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.11.

2.9 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "other income and gains – net".

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the VQH Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "other operating expenses".

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Members' interests

Included in members' interests is each unit of limited liability company interests ("LLCI") or voting common interest ("VCI").

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Senior preferred interests, which are mandatory redeemable on a specific date, are classified as liabilities. The distributions on these SPI are recognised in the income statement as interest expenses.

The fair value of the liability portion of a convertible preferred interest is determined using a market interest rate for an equivalent non-convertible instrument offered by a third party financial institution. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the CPI. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in members' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the VQH Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the VQH Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The VQH Group does not provide a pension plan for its employees. The Group provides a 401(k) profit sharing plan pursuant to which employees may voluntarily contribute a percentage of compensation (subject to statutory limits) which the Group may match in accordance with plan documents. The VQH Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus plans

The VQH Group recognises a liability and an expense for bonuses on a discretionary basis after consideration of the profit attributable to VQH's members. The VQH Group recognises a provision where contractually obliged or where there is prior practice that has created a constructive obligation.

(iv) Stock-based compensation

The VQH Group operates an equity-settled, stock-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to capital reserve when the options are exercised.

2.17 Provisions

Provisions are recognised when the VQH Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the VQH Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within the VQH Group. Revenue is recognised as follows:

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are shipped to customers and the title has passed.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the VQH Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.19 Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of property, plant and equipment where the VQH Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is expensed in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Distributions

Distributions to VQH's members are recognised as a liability in the VQH Group's financial statements in the period in which the distributions are approved by VQH's members.

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of VQH. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of VQH.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 Financial risk management

3.1 Financial risk factors

The VQH Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow risk as more fully enumerated below. The VQH Group's overall risk management program considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the VQH Group's financial performance. In 2005 the VQH Group entered into an interest rate swap agreement with a bank to mitigate exposure to interest rate increases.

(a) Foreign exchange risk

During the Relevant Periods, the VQH Group had a subsidiary (Nu-Life) in Canada and was exposed to foreign exchange risk that can result from fluctuations between and among the United States and Canadian dollars. During the period when Nu-Life was owned, the VQH Group monitored the currency volatility and determined that there was a low risk of negative impact and thus determined that no hedging was necessary or appropriate for such risk.

(b) Credit risk

The VQH Group has no significant concentrations of credit risk and has policies in place to ensure that sales of products are made to customers on terms that are appropriate to their credit history. Additionally, the VQH Group's cash balances are maintained with various financial institutions, the diversity of which and nature of balances on hand tend to mitigate exposure above federally-insured limits.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and working capital as well as the availability of funding through an adequate amount of committed credit facilities. As at 31 December 2005, VQH had a committed revolving credit facility of US$15 million with US$14.5 million of such facility fully available. The directors of VQH considered that the VQH Group has sufficient fund to meet its financial obligations and commitments in full as they fall due in the foreseeable future.

(d) Cash flow risk

While there are no significant concentrations of credit risk, the VQH Group may be exposed to delays in payments from customers and demands for payments from suppliers that may adversely affect overall cash flow. The VQH Group mitigates such risk by having a wide base of customers and suppliers and having sufficient available lines of credit at its disposal to finance any such short or long-term cash flow needs.

(e) Interest rate risk

The VQH Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates can expose the VQH Group to interest rate risk. In 2005, the VQH Group managed such risk by using a floating-to-fixed interest rate swap. Generally, long-term borrowings carry variable interest rates and such rate risk can be offset through purchase of a fixed-rate swap. At 31 December 2005, the VQH Group had an interest rate swap with a bank on a notional amount of indebtedness of US$72 million expiring in April 2008. Under this agreement, the VQH Group pays interest at a fixed rate of 4.27% and receives interest at the USD-LIBOR-BBA based on three-month maturity.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The VQH Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the VQH Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The VQH Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of trade receivables

VQH makes provision for impairment of trade receivables based on an assessment of the recoverability to trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(b) Write-down of obsolete and slow-moving inventories

VQH writes down obsolete and slow-moving inventories to net realisable value based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Write-downs are applied to inventories where events or changes in circumstances indicate that the inventories may be obsolete or slow-moving. The identification of obsolete or slow-moving inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and charges in the period in which such estimate has been changed.

5 Sales

The principal activities of the VQH Group are the manufacturing and selling of nutritional and custom dietary supplements. Turnover represents revenues recognised from the sales of nutritional and custom dietary supplements during the Relevant Periods.

6 Other income and gains

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Interest income – bank	10	25	5
Interest income – affiliated trust *(Note 17)*	1,648	1,746	381
Fair value gains on interest rate swap	–	–	756
Litigation settlement income	5,837	–	–
Other income	129	3	3
	7,624	1,774	1,145

7 Expenses by nature

Expenses included in cost of sales, selling and distribution, general and administrative and other operating expenses are analysed as follows:

	Year ended 31 December		
	2003	2004	2005
	US$'000	*US$'000*	*US$'000*
Depreciation of property, plant and equipment	1,797	1,994	2,185
Amortisation of intangible assets *(Note 18)*	241	268	278
Gain on disposal of property, plant and equipment	(50)	–	(15)
Employee benefit expenses, including directors' emoluments *(Note 9)*	18,279	18,090	19,745
Cost of inventories	66,543	73,421	81,560
Write-down/(reversal of write-down) of obsolete and slow-moving inventories	500	(334)	(290)
Operating lease rentals			
– land and buildings	1,416	1,282	1,870
– machinery	353	310	319
Provision for and write-off of doubtful debts	4,257	1,484	1,554
Auditors' remuneration	150	150	150

8 Finance costs

	Year ended 31 December		
	2003	2004	2005
	US$'000	*US$'000*	*US$'000*
Interest expense:			
– bank borrowings: bank loans and overdraft wholly repayable			
– within 5 years	1,520	761	–
– after 5 years	–	–	10,698
– Note payable from a member			
– wholly repayable within 5 years	1,500	409	–
– Senior preferred interests wholly repayable after 5 years	–	–	1,872
– Convertible preferred interests wholly repayable after 5 years	–	–	3,103
Interest element of finance leases	60	85	60
	3,080	1,255	15,733

9 Employee benefit expense (including directors' emoluments)

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Wages and salaries	14,499	15,069	13,086
Bonuses	–	–	4,327
Contributions – profit sharing and 401(k) *(Note 10)*	1,402	1,002	(57)
Other employee benefits	2,378	2,019	2,389
	18,279	18,090	19,745

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2003 is set out below:

	Year ended 31 December 2003				
Name of director	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Contributions**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive Directors					
Keith Frankel	–	1,429	–	8	1,437
Edward Frankel	–	260	–	–	260
	–	1,689	–	8	1,697

The remuneration of every Director for the year ended 31 December 2004 is set out below:

	Year ended 31 December 2004				
Name of director	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Contributions**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive Directors					
Keith Frankel	–	1,512	–	–	1,512
Edward Frankel	–	255	–	–	255
	–	1,767	–	–	1,767

The remuneration of every Director for the year ended 31 December 2005 is set out below:

	Year ended 31 December 2005				
Name of director	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Contributions**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive Directors					
Keith Frankel	–	907	–	8	915
Edward Frankel	91	–	–	–	91
James Edward Virtue	–	–	–	–	–
Thomas Virtue	26	–	–	–	26
Robert Sharp	–	–	–	–	–
Douglas Fox	38	–	–	–	38
Elise Donahue	26	–	–	–	26
	181	907	–	8	1,096

During the Relevant Periods, no directors of VQH waived or agreed to waive any emoluments. No emoluments have been paid to the directors of VQH as an inducement to join or upon joining the VQH Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the VQH Group for the three years ended 31 December 2003, 2004 and 2005 include 1, 1 and 1 director respectively. The emoluments of whom are reflected in the analysis presented above. The emoluments payable to the remaining 4, 4 and 4 individuals during the Relevant Periods, respectively, are as follows:

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Basic salaries, other allowances and benefits in kind	2,267	2,708	767
Bonuses	–	–	3,950
Contributions – profit sharing and 401(k)	131	40	43
	2,398	2,748	4,760

The emoluments of the remaining four individuals fell within the following bands:

	Number of individuals Year ended 31 December		
	2003	**2004**	**2005**
Emolument bands			
US$384,615 to US$512,821	1	1	–
US$512,821 to US$576,923	1	–	–
US$576,923 to US$641,026	1	–	–
US$641,026 to US$705,129	1	1	–
US$705,129 to US$769,232	–	1	–
US$769,232 to US$833,335	–	1	–
US$897,438 to US$961,541	–	–	1
US$1,217,953 to US$1,282,056	–	–	2
US$1,282,056 to US$1,346,159	–	–	1

During the Relevant Periods, no emoluments have been paid to the five highest paid individuals of the VQH Group as an inducement to join or upon joining the VQH Group, or as compensation for loss of office.

10 Retirement benefits

The VQH Group has a 401(k) profit sharing plan under the Employee Retirement Income Security Act (of 1974). Under the plan, eligible employees meeting certain minimum eligibility requirements may contribute up to 10% of their compensation (subject to statutory limits), while the VQH Group may make matching contributions in accordance with plan documents. The VQH Group elected to match an amount of up to 4% of each participant's compensation for each of the years ended 31 December 2003, 2004 and 2005. An additional annual profit sharing contribution may be made at the discretion of the Board of Directors.

The aggregate employer's contributions, which have been dealt with in the consolidated income statement during the Relevant Periods are as follows:

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Profit sharing contributions	816	340	(757)
401(k) matching contributions	586	662	700
	1,402	1,002	(57)
Less: Forfeited contributions utilised to offset contributions	–	–	–
Net scheme contributions	1,402	1,002	(57)

Contributions totalling US$887,000 and US$789,000 were payable to the 401(k) profit sharing plan as at 31 December 2003 and 2004 respectively. There was no contribution payable as at 31 December 2005.

The VQH Group maintains non-qualified deferred compensation plans for the benefit of certain key employees, which provide for payment upon retirement, death or disability. The VQH Group has partially funded the deferred compensation plans with various life insurance policies on those employees. Included in other assets at 31 December 2003, 2004 and 2005 are cash values associated with those policies of approximately US$387,000, US$501,000 and US$550,000 respectively. At 31 December 2003, 2004 and 2005, the VQH Group recorded a deferred compensation liability of approximately US$506,000, US$553,000 and nil respectively, which are included in accruals and other liabilities on the consolidated balance sheets.

11 Income tax expense

A principal subsidiary of VQH incorporated in the State of Delaware of United States of America had elected to be treated as an S Corporation for federal and state income tax purposes, whereby the taxable income of VQH's principal subsidiary is reported by the members on their individual income tax returns. Accordingly, no provision for federal income taxes and a reduced provision for state income taxes have been made in the consolidated financial statements. Effective 5 February 2005, VQH's principal subsidiary was converted to a limited liability company, which is not subject to federal or state income taxes.

The state income tax has been provided for at the rate of 1.33% on the estimated taxable income for the years/period ended 31 December 2003 and 2004, and 5 February 2005. For the post conversion period, VQH's principal subsidiary's 2005 results of operations will be included in the income tax return of its member.

VQH was incorporated as a limited liability company and therefore is not subject to federal or state income taxes.

The amount of taxation charged to the consolidated income statement for the Relevant Periods represents:

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Current income tax:			
– State income tax	157	206	6
– Over-provisions in prior years	(62)	(19)	–
Others	(5)	(2)	5
Taxation charge	90	185	11

The tax on the VQH Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the tax rate of the home country of the companies as follows:

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Profit/(loss) before taxation	15,455	24,410	(7,428)
Calculated at a tax rate of 1.33% on profit/(loss) before taxation	206	325	(99)
Over-provisions in prior years	(62)	(19)	–
Others	(54)	(121)	110
Tax expense	90	185	11

As at 31 December 2003, 2004 and 2005, there was no material unprovided deferred taxation.

12 Earnings/(loss) per unit of members' interests

(a) Basic

Basic earnings/(loss) per unit of members' interests is calculated by dividing the profit/(loss) attributable to members of VQH by the weighted average number of members' interests in issue during the Relevant Periods as if the conversion of limited liability company interest into 10,000,000 membership units consisting of 4,000,000 voting common interests and 6,000,000 convertible preferred interests had been completed on 1 January 2003.

	Year ended 31 December		
	2003	**2004**	**2005**
Profit/(loss) attributable to members of VQH *(US$'000)*	14,872	21,567	(6,547)
Weighted average number of members' interests in issue *(unit '000)*	9,956	9,956	9,995
Basic earnings/(loss) per unit of members' interests *(US$ per unit)*	1.49	2.17	(0.65)

(b) Diluted

There were no dilutive members' interests during the Relevant Periods.

13 Loss attributable to members of VQH

The loss attributable to members of VQH for the year ended 31 December 2005 is dealt with in the financial statements of VQH to the extent of approximately US$4,975,000.

14 Distributions

The distributions paid to members during the years ended 31 December 2003, 2004 and 2005 were approximately US$6,381,000, (US$0.64 per unit of members' interests), US$7,503,000 (US$0.75 per unit of members' interests) and US$146,857,000 (US$14.69 per unit of members' interests) respectively as if conversion of limited liability company interest into 10,000,000 membership units consisting of 4,000,000 voting common interests and 6,000,000 convertible preferred interests had been completed on 1 January 2003.

Prior to 17 March 2005, pursuant to an Amended and Restated Purchase Agreement dated 15 February 2005, distributions in the form of cash of approximately US$111 million and forgiveness of note receivable from an affiliated trust of approximately US$31 million were made to the then members before their sale of 60% interests of VQH to two unrelated parties. In addition, US$4.3 million represented professional fees paid on behalf of the members, which has been reflected as a distribution in members' interests.

15 Property, plant and equipment – VQH Group

	Leasehold improvements *US$'000*	Machinery and equipment *US$'000*	Furniture and fixtures *US$'000*	Motor vehicles *US$'000*	Computer equipment *US$'000*	Total *US$'000*
Cost						
At 1 January 2003	8,711	9,818	1,168	121	1,662	21,480
Additions	240	1,899	22	66	47	2,274
Acquisition of subsidiaries *(Note 28)*	55	46	54	–	43	198
Disposals	–	(677)	–	(16)	–	(693)
Exchange differences	6	4	5	–	6	21
At 31 December 2003	9,012	11,090	1,249	171	1,758	23,280
Additions	757	1,744	17	20	264	2,802
Exchange differences	7	4	5	–	9	25
At 31 December 2004	9,776	12,838	1,271	191	2,031	26,107
Additions	486	1,716	126	4	81	2,413
Disposal of subsidiaries *(Note 35)*	(105)	(54)	(76)	–	(132)	(367)
Disposals	(34)	(1,354)	–	–	–	(1,388)
At 31 December 2005	10,123	13,146	1,321	195	1,980	26,765
Accumulated depreciation						
At 1 January 2003	2,890	5,467	776	121	771	10,025
Acquisition of subsidiaries *(Note 28)*	1	1	1	–	1	4
Charge for the year	656	962	84	–	153	1,855
Disposals	–	(50)	–	(1)	–	(51)
Exchange differences	1	2	2	–	2	7
At 31 December 2003	3,548	6,382	863	120	927	11,840
Charge for the year	703	1,074	91	7	183	2,058
Exchange differences	2	2	1	–	4	9
At 31 December 2004	4,253	7,458	955	127	1,114	13,907
Charge for the year	724	1,208	88	7	158	2,185
Disposal of subsidiaries *(Note 35)*	(43)	(20)	(26)	–	(54)	(143)
Disposals	(2)	(205)	–	–	–	(207)
At 31 December 2005	4,932	8,441	1,017	134	1,218	15,742
Net book value						
At 31 December 2003	5,464	4,708	386	51	831	11,440
At 31 December 2004	5,523	5,380	316	64	917	12,200
At 31 December 2005	5,191	4,705	304	61	762	11,023

Depreciation expenses of US$962,000, US$1,074,000 and US$1,208,000 were expensed in cost of goods sold, and US$893,000, US$984,000 and US$977,000 were expensed in general and administrative expenses for the years ended 31 December 2003, 2004 and 2005, respectively.

Machinery and equipment include the following amounts where the VQH Group is a lessee under certain finance leases:

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Cost – capitalised finance leases	1,349	1,349	1,349
Less: Accumulated depreciation	(161)	(296)	(431)
Net book amount	1,188	1,053	918

During the year ended 31 December 2003, the VQH Group entered into sale-leaseback transactions with equipment leasing companies. Under the terms of the agreements, the machinery and equipment were treated as capital leases. The total cost of such machinery and equipment approximated US$1,299,700 at 31 December 2003, 2004 and 2005. Related accumulated depreciation approximated US$156,000, US$289,000 and US$413,600 at 31 December 2003, 2004 and 2005, respectively.

In December 2005, the VQH Group entered into a sale-leaseback transaction with a financial institution. The lease is accounted for as an operating lease. The machinery and equipment had a cost basis of approximately US$1,328,000 and a net book value of approximately US$1,128,000 as at 31 December 2005.

16 Investments in subsidiaries – VQH

	At 31 December 2005
	US$'000
Unlisted investments, at cost *(Note a)*	153,143

Note:

(a) Particulars of the principal subsidiary of VQH as at the date of this report are as follows:

Name	**Place of incorporation and kind of legal entities**	**Principal activities and place of operation**	**Particulars of issued capital**	**Interest held directly**
Vitaquest International LLC (formerly known as Vitaquest International Inc.)	United States of America, limited liability company since 11 February 2005 (formerly as a Delaware Corporation)	Manufacturing and selling of nutritional and custom dietary supplements in the US	– (Formerly 146,000 common stock at US$0.01 each)	100%

17 Note receivable from an affiliated trust – VQH Group

Note receivable from an affiliated business trust:

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Beginning of the year	27,653	29,301	31,047
Interest income *(Note 6)*	1,648	1,746	381
Distributions *(Note a)*	–	–	(31,428)
	29,301	31,047	–

Details of the note receivable from an affiliated trust are as follows:

Name of affiliated business trust	Amount outstanding at 31 December			Maximum outstanding during the year		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Frankel 1999 Business Trust	29,301	31,047	–	29,301	31,047	31,428

The beneficiary owner of the affiliated trust is Keith Frankel, who is also a director of VQH.

In October 1999, VQH's principal member sold 44% of the common stock of VQ Int'l to a family business trust of that principal member for US$32 million. To effect the transfer, VQH Group loaned the trust US$23 million in exchange for a 5.96% note. Interest on the US$23 million note receivable is payable annually. The principal amounts of the note receivable and unpaid interest are due in October 2008.

The fair value calculation of the note receivable is based on cash flows discounted using a market rate of 5.5% at 31 December 2003 and 2004, which approximately amounted to US$29.1 million and US$30.7 million, respectively.

Note:

(a) The note receivable and accrued interest receivable were distributed to a member in March 2005 *(Note 14)*.

18 Intangible assets - VQH Group

	Computer software *US$'000*
At 1 January 2003	
Cost	2,239
Accumulated amortisation	(459)
Net book amount	1,780
Year ended 31 December 2003	
Opening net book amount	1,780
Additions	254
Amortisation charge *(Note 7)*	(241)
Closing net book amount	1,793
At 31 December 2003	
Cost	2,493
Accumulated amortisation	(700)
Net book amount	1,793
Year ended 31 December 2004	
Opening net book amount	1,793
Additions	345
Amortisation charge *(Note 7)*	(268)
Closing net book amount	1,870
At 31 December 2004	
Cost	2,838
Accumulated amortisation	(968)
Net book amount	1,870
Year ended 31 December 2005	
Opening net book amount	1,870
Additions	24
Amortisation charge *(Note 7)*	(278)
Closing net book amount	1,616
At 31 December 2005	
Cost	2,862
Accumulated amortisation	(1,246)
Net book amount	1,616

All amortisation charges were included in general and administrative expenses for each of the years ended 31 December 2003, 2004 and 2005.

19 Derivative financial instruments – VQH Group

	As at 31 December 2005 *US$'000*
Interest-rate swaps	756
Less: non-current portion	–
Current portion	756

There were no interest-rate swaps as at 31 December 2003 and 2004. The notional principal amounts of the outstanding interest-rate swap contracts at 31 December 2005 was US$72 million.

At 31 December 2005, the fixed interest rate was 4.27% and the main floating rate was US LIBOR-BBA. The fair value of interest-rate swaps was approximately US$756,000.

20 Inventories – VQH Group

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Raw materials	5,079	4,752	5,662
Work-in-progress	1,592	1,454	1,590
Finished goods	8,804	10,963	7,841
	15,475	17,169	15,093
Less: write-down of obsolete and slow-moving inventories	(824)	(490)	(200)
	14,651	16,679	14,893

21 Trade receivables – VQH Group

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Trade receivables	23,833	30,061	33,932
Less: provision for impairment of receivables	(1,954)	(1,371)	(1,288)
	21,879	28,690	32,644

The majority of the VQH Group's sales are on credit with terms generally ranging from 30 to 60 days. The ageing analysis of trade receivables for the Relevant Periods is as follows:

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Current – 30 days	14,077	18,885	23,759
31 – 60 days	2,042	4,735	2,400
61 – 90 days	1,534	1,418	1,737
Over 90 days	6,180	5,023	6,036
	23,833	30,061	33,932

There is no concentration of credit risk with respect to trade receivables as the VQH Group has a large number of customers, widely dispersed in America.

The VQH Group has recognised a loss of approximately US$4,257,000, US$1,484,000 and US$1,554,000 for the impairment of its trade receivables for the years ended 31 December 2003, 2004 and 2005 respectively. The loss was included in other operating expenses in the consolidated income statement.

The carrying amounts of the trade receivables approximate their fair values.

22 Balances with related parties – VQH Group

Amounts due from related parties are unsecured, interest-free and without fixed terms of repayment except for the amount due from a related company in which a director of VQH has an interest, which is not repayable within the next twelve months.

23 Cash and cash equivalents – VQH Group

Cash and cash equivalents include only cash at bank and in hand.

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents	2,963	185	481
Bank overdrafts *(Note 25)*	(2,586)	(3,064)	(1,786)
	377	(2,879)	(1,305)

24 Trade payables – VQH Group

The ageing analysis of the trade payables for the Relevant Periods is as follows:

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Current – 30 days	2,182	6,452	3,334
31 – 60 days	7,606	2,466	2,431
61 – 90 days	170	1,694	2,863
Over 90 days	1,878	4,834	5,122
	11,836	15,446	13,750

25 Borrowings – VQH Group

	At 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Non-current			
Finance lease liabilities *(Note a)*	849	523	209
Current			
Bank overdrafts *(Note 23)*	2,586	3,064	1,786
Bank loans, secured current portion *(Note b)*	3,357	3,357	608
Bank loans, secured non-current portion *(Note b)*	16,756	12,899	136,608
Current portion of finance lease liabilities *(Note a)*	284	315	328
	22,983	19,635	139,330

Notes:

(a) Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

(b) On 30 April 2003, the VQH Group entered into a US$27 million Senior Secured Credit Facility (the "Facility") with certain banks, which consists of a US$17 million term loan and a US$10 million revolving loan. The proceeds were used to refinance existing debts. Substantially all of the VQH Group's assets served as collateral.

The term loan was payable in quarterly instalments of US$850,000 from 1 July 2003 through 30 April 2008 plus interest at the alternative base rate plus up to 125 basis points or, under certain conditions, LIBOR plus 150 to 300 basis points. As at 31 December 2003, 2004 and 2005, the term loan payables amounted to US$15,113,000, US$11,756,000 and US$ nil, respectively.

The revolving loan was at LIBOR plus 200 basis points and the alternative base rate of 5.25%. The expiry date of the revolving loan will be at 30 April 2006. As at 31 December 2003, 2004 and 2005, the revolving loan payables amounted to US$5,000,000, US$4,500,000 and US$ nil, respectively.

In March 2005, the then outstanding balance under the Facility was fully repaid through the obtaining of a new six-year facility of US$115 million from a bank, which consists of a six-year term loan of US$100 million bearing interest at LIBOR plus 250 to 325 basis points and a five-year revolving loan of US$15 million at prime rate of 7.25% at 31 December 2005. In addition, VQH also entered into a seven-year term loan of US$43 million bearing interest at LIBOR plus 687.5 basis points. These term loans were secured by the 100% members' interests of VQ Int'l and all of its assets, and further guaranteed by VQH. As at 31 December 2005, the term loans payable and revolving loan payable amounted to US$136,716,000 and US$500,000, respectively.

The Facility and the two new term loans contain various covenants, including limitations of capital expenditures and member distributions, capital call provisions and requirements to maintain certain financial ratios. During the years ended 31 December 2003, 2004 and 2005, the VQH Group breached certain of these covenants including failure to maintain certain financial ratios. Since waivers for the breach of loan covenants were only obtained subsequent to each year-end, all the non-current portion of the bank loans were classified as current liabilities as at each balance sheet date. Accordingly, the non-current portion of the bank loans of US$16,756,000, US$12,899,000 and US$136,608,000 as at 31 December 2003, 2004 and 2005, respectively was classified as current liabilities as at each balance sheet date.

The exposure of all borrowings to interest-rate changes and the contractual repricing dates are as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2003	5,943	16,756	–	22,699
Effect of interest rate swap *(Note 19)*	–	–	–	–
Total borrowings	5,943	16,756	–	22,699
At 31 December 2004	6,421	12,899	–	19,320
Effect of interest rate swap *(Note 19)*	–	–	–	–
Total borrowings	6,421	12,899	–	19,320
At 31 December 2005	2,394	75,579	61,029	139,002
Effect of interest rate swap *(Note 19)*	(1,000)	(71,000)	–	(72,000)
Total borrowings	1,394	4,579	61,029	67,002

According to the bank loan agreements, the maturity of the bank loans and overdrafts is as follows:

	At 31 December		
	2003	2004	2005
	US$'000	*US$'000*	*US$'000*
Within one year	5,943	6,421	2,394
Between one and two years	3,357	7,799	108
Between two and five years	13,399	5,100	75,471
Wholly repayable within five years	22,699	19,320	77,973
Over five years	–	–	61,029

The effective interest rates at the balance sheet date are as follows:

	2003	2004	2005
Bank overdrafts	3.20%	5.50%	8.70%
Bank loans	3.20%	5.50%	8.70%
Finance lease liabilities	6.94%	6.94%	6.90%

The carrying amounts and fair values of the non-current borrowings at each of the balance sheet date are as follows:

	Carrying amounts			Fair values		
	2003	2004	2005	2003	2004	2005
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Bank loans	16,756	12,899	136,608	16,713	12,856	136,378

The fair values are based on cash flows discounted using a rate based on the borrowing rates ranging from 3.18% to 4.25%, 5.25% to 5.50% and 3.85% to 10.85% at 31 December 2003, 2004 and 2005 respectively.

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of all the borrowings are denominated in U.S. dollars.

The VQH Group has the following undrawn borrowing facilities:

	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Floating rate			
– expiring within one year	–	–	–
– expiring beyond one year	6,700	10,600	15,000
	6,700	10,600	15,000

The VQH Group's finance lease liabilities were repayable as follows:

		At 31 December	
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Not later than one year	362	362	360
Later than one year and not later than five years	715	554	208
Later than 5 years	201	–	–
	1,278	916	568
Future finance charges on finance leases	(145)	(78)	(31)
Present value of finance lease liabilities	1,133	838	537

The present value of finance lease liabilities is as follows:

		At 31 December	
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Not later than one year	284	315	328
Later than one year and not later than five years	849	523	209
	1,133	838	537

26 Note payable to a member – VQH Group

On 2 October 2001, a member loaned the VQH Group an US dollar loan of 5 million, which bore interest at 16% per annum. The term of this loan was for a period of five years. During the years ended 31 December 2003 and 2004, the VQH Group repaid interest of US$1,500,000 and the whole outstanding balance of US$4,652,000 including interest of US$409,000, to the member, respectively.

The fair value calculation of the note payable is based on cash flows discounted using a market rate of 11% at 31 December 2003, which approximately amounted to US$4,843,000.

27 Members' interests - VQH Group and VQH

(a) Members' interests – VQH

	Number of units		
	Limited liability company interests	**Voting common interests**	**Convertible preferred interests**
Initial capital *(Note i)*	995.6	–	–
Issue of LLCI *(Note ii)*	4.4	–	–
Conversion of LLCI to:			
– VCI *(Note iii)*	(515.3)	4,000,000	–
– CPI *(Note (iii) & (v))*	(484.7)	–	6,000,000
At 31 December 2005	–	4,000,000	6,000,000

Notes:

(i) VQH was incorporated on 18 January 2005 with 995.6 units of limited liability company interests. The initial capital was contributed to VQH by VQI in the form of 100% of the common stock of VQ Int'l. By virtue of the Reorganisation, VQH recorded an additional-paid-in capital of US$300 million representing the fair value of the investment in VQ Int'l.

For the purposes of this report and as mentioned in Note 2.1.1, the formation of the VQH Group was accounted for using the merger basis of accounting. Accordingly, the initial capital in terms of LLCI presented in the consolidated balance sheets as at 1 January 2003, and 31 December 2003 and 2004 represents the issued members' interests of VQH, which are deemed to have been in issue since 1 January 2003.

(ii) On 14 February 2005, the LLCI of VQH was increased to 1,000 units by the creation of 4.4 units of LLCI. These LLCI rank pari passu with the then existing LLCI.

(iii) On 17 March 2005, pursuant to an Amended and Restated Purchase Agreement dated 15 February 2005 and a Second Amended and Restated Limited Liability Company Agreement dated 17 March 2005 (collectively the "Agreements"), all the LLCI of VQH were converted into 10,000,000 membership units consisting of 4,000,000 VCI units and 6,000,000 CPI units. The VCI and CPI issued have the same rights as the foregoing LLCI except that holders of CPI have the option to convert the CPI to VCI, the right to interest (Note (v) below) and the right to be distributed of the proceeds of liquidation prior to the holders of VCI upon dissolution of VQH.

(iv) Senior preferred interests – VQH Group and VQH

On 17 March 2005, pursuant to the Agreements, VQH issued US$20 million of senior preferred interests, which carry no voting right, to one of the members. The senior preferred interests are mandatory redeemable on or prior to the earlier of (i) the occurrence of a change in control of VQH and (ii) 17 March 2016, or subject to the aforesaid, at the sole option of VQH at any time at a price equal to the sum of the portion of the senior preferred interests plus (a) any accretion on such senior preferred interests from the time made at a rate accreting quarterly that results in a compounded annual return of 12%, and (b) all accrued and unpaid cash distributions in respect of the portion of senior preferred interests.

The fair value of the SPI was determined at the issuance of the SPI at a market borrowing rate of 12%.

(v) Convertible preferred interests – VQH Group and VQH

According to the Agreements, VQH issued approximately US$50.37 million of CPI to its members on 17 March 2005. These CPI represent voting preferred limited liability company interests in VQH and are convertible into VCI at the option of the holders at any time on or prior to the date of mandatory redemption by VQH on 17 September 2016. Any such conversion shall occur at a conversion rate of one membership unit comprising the VCI for each membership unit comprising the CPI. On 17 September 2016, the CPI shall be mandatory redeemed by VQH at a price equal to, with respect to the CPI of each holder, (a) the aggregate capital contributed as CPI plus (b) an accretion on such capital contribution from the time made at a rate accreting quarterly that results in a compounded annual return of 8%.

The fair values of the liability component and the equity conversion component were determined at the issuance of the CPI at a market borrowing rate of 12%.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible instrument. The residual amount, representing the value of the equity conversion component, is included in members' interests.

The CPI recognised in the balance sheets are calculated as follows:

	2005
	US$'000
Value issued on 17 March 2005	50,370
Equity component	(17,216)
Liability component on initial recognition at 17 March 2005	33,154
Interest expense	3,103
Interest paid	–
Liability component at 31 December 2005	36,257

The fair value of the liability component of the CPI at 31 December 2005 amounted to HK$36,312,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rates of 12%.

Interest expense on the CPI is calculated using the effective interest method by applying the effective interest rate of 12% to the liability component.

(b) Share option plan

In 2005, VQH established an Incentive Stock Option Plan (the "Plan") containing two categories of options, namely standard options and super-kicker options. The plan is valid and effective for a period of 10 years commencing from the date the option is granted. Standard options vest 20% per annum at the Plan anniversary date if the VQH Group achieves its targeted adjusted earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"), or if its targeted adjusted EBITDA for the year and the preceding years are achieved. It will also vest 100% upon a change in control as defined in the Plan. The super-kicker options only vest upon the event of both a change in control and a compound cumulative return upon liquidation to the underlying holders of CPI in excess of 35%. The VQH Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005			
	Standard		**Super-kicker**	
	Exercise price in US$ per share	**Options**	**Exercise price in US$ per share**	**Options**
Granted	8.4	1,111,112	8.4	653,594
Forfeited	8.4	–	8.4	–
Exercised	8.4	–	8.4	–
Lapsed	8.4	–	8.4	–
At 31 December		1,111,112		653,594

In the aggregate, 1,111,112 standard options and 653,594 super-kicker options were granted during May to August 2005 at a fixed price of US$8.40 per share. As at 31 December 2005, VQH estimated the number of options that are expected to become exercisable. As the vesting conditions were not expected to be met, none of the options were vested or exercisable. As such, no charges to staff compensation costs were recorded for the year ended 31 December 2005.

The fair value of options granted during the period determined using the Black-Scholes valuation model was US$0.59. The significant inputs into the model were share price of US$5.5, at the grant date, exercise price shown above, standard deviation of expected share price returns of 36.72%, expected life of options of 10 years, expected dividend paid out rate of 8% and annual risk-free interest rate of 4.65%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies in 2004.

In February 2006, the members of VQH signed a definitive sale agreement wherein a third party agreed to acquire all of the stock of MidOcean Partners Vita I Corp and MidOcean Partners Vita II Corp plus a portion of members' interest held by VQI for a combined aggregate interest of 80% of the members' interests of VQH.

The completion of this transaction would trigger the definition of change of control according to the Plan. As a result, all the outstanding standard option at 31 December 2005 would be vested in 2006 at the time of change of control, which would then result in the incurrence of option expense of US$0.66 million in 2006. The vesting of the super-kicker option would still be subject to the meeting of the specified condition.

(c) Movement of members' interests – VQH Group

	Convertible preferred interests	**Retained earnings/ (accumulated losses)**	**Exchange reserve**	**Merger reserve**	**Capital reserve**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2003	–	29,170	–	(299,999)	300,000	29,171
Distributions *(Note 14)*	–	(6,381)	–	–	–	(6,381)
Exchange differences	–	–	(118)	–	–	(118)
Profit for the year	–	14,872	–	–	–	14,872
At 31 December 2003	–	37,661	(118)	(299,999)	300,000	37,544
Distributions *(Note 14)*	–	(7,503)	–	–	–	(7,503)
Exchange differences	–	–	305	–	–	305
Profit for the year	–	21,567	–	–	–	21,567
At 31 December 2004	–	51,725	187	(299,999)	300,000	51,913
Transfer from capital reserve	–	–	–	146,857	(146,857)	–
Exchange differences	–	–	(187)	–	–	(187)
Loss for the year	–	(6,547)	–	–	–	(6,547)
Distributions *(Note 14)*	–	(146,857)	–	–	–	(146,857)
Issue of SPI *(Note (a) (iv))*	–	–	–	–	(20,000)	(20,000)
Issue of CPI *(Note (a) (v))*	17,216	–	–	–	(50,370)	(33,154)
At 31 December 2005	17,216	(101,679)	–	(153,142)	82,773	(154,832)

(d) Movement of members' interests – VQH

	Convertible preferred interests	**Accumulated losses**	**Capital reserve**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 18 January 2005 (date of incorporation)	–	–	–	–
Additional paid-in capital *(Note (i))*	–	–	300,000	300,000
Issue of SPI *(Note (ii))*	–	–	(20,000)	(20,000)
Issue of CPI *(Note (ii))*	17,216	–	(50,370)	(33,154)
Loss for the year	–	(4,975)	–	(4,975)
Transfer from capital reserve	–	146,857	(146,857)	–
Distributions *(Note 14)*	–	(146,857)	–	(146,857)
At 31 December 2005	17,216	(4,975)	82,773	95,014

Notes:

(i) Additional paid-in capital represents the fair value of the capital contributed to VQH in the form of transfer of the 100% members' interests in VQ Int'l upon the Reorganisation.

(ii) According to the Agreements, by virtue of the sale of 60% interests of VQH in March 2005, VQH issued US$20 million of SPI to the then existing members and US$50.37 million of CPI to two other members, which were charged against the capital reserve.

28 Business combinations

On 1 January 2003, the VQH Group acquired approximately 90.8% equity interests of Nu-Life in satisfaction of the VQH Group's debentures and receivables due from Nu-Life. Such acquisition increased the VQH Group's ownership interest in Nu-Life to approximately 91.6%. Accordingly, the results of operations of Nu-Life have been included in the consolidated financial statements from 1 January 2003.

Nu-Life is mainly engaged in the development, marketing and distribution of branded nutritional supplements in the Canadian marketplace. The VQH Group expected that this transaction would strengthen its position with the then existing customers, provide expansion into the Canadian marketplace, and enhance operating results. The acquired business contributed revenues of approximately US$9,008,000 and net loss of US$493,000 to the VQH Group for the period from 1 January 2003 to 31 December 2003.

Details of consideration paid at the time of acquisition are as follows:

	US$'000
Debentures and receivables due from Nu-Life at 1 January 2003	
Trade receivables and debentures at carrying value	2,326
Other assets at carrying value	423
Net purchase consideration	2,749
Fair value of net assets acquired (shown as below)	(2,749)
Goodwill	–

The VQH Group allocated the purchase price to the following assets based on the estimate of the fair value of the assets received as follows:

	US$'000
Bank balances and cash	477
Trade receivables	1,388
Inventories	1,630
Other current assets	28
Property and equipment	194
	3,717
Current liabilities	(968)
Net assets acquired	2,749
Net cash inflow on acquisition	477

There were no other acquisitions in the years ended 31 December 2003, 2004 and 2005.

29 Notes to consolidated cash flow statements

(a) Reconciliation of profit/(loss) for the year to net cash inflow generated from operations

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Profit/(loss) for the year	14,872	21,567	(6,547)
Income tax expense	86	210	11
Depreciation of property, plant & equipment	1,855	2,058	2,185
Amortisation of intangible assets	241	268	278
Gain on disposal of a subsidiary	–	–	(907)
Provision for and write-off of doubtful debts	4,257	1,484	1,554
Fair value gains on interest rate swap	–	–	(756)
Gain on disposal of property, plant and equipment	(50)	–	(15)
Interest income	(1,658)	(1,771)	(386)
Interest expenses	3,080	1,255	15,733
Operating profit before working capital changes	22,683	25,071	11,150
Increase in inventories	(1,715)	(2,028)	(1,890)
Increase in trade receivables	(6,220)	(8,295)	(7,298)
Decrease/(increase) in prepayments and other receivables	510	(791)	(2,016)
Decrease/(increase) in amounts due from related parties	1,950	300	(1,198)
Decrease/(increase) in other non-current assets	1,872	(320)	252
Increase in trade payables	3,456	3,610	3,778
Increase/(decrease) in accruals and other payables	1,135	(756)	6,181
Increase/(decrease) in other non-current liabilities	64	47	(553)
Net cash inflow generated from operations	23,735	16,838	8,406

(b) Major non-cash transactions

During the year ended 31 December 2005, the note receivable from an affiliated trust amounted to US$31 million was forgiven in the form of a distribution (Note 14). In addition, as detailed in Note 27, the creation of the SPI and CPI in the form of distributions constitutes major non-cash transactions during the year ended 31 December 2005.

(c) Analysis of changes in financing

	Bank loans *US$'000*	Obligations under finance leases *US$'000*
At 1 January 2003	31,000	545
Inceptions	27,000	721
Repayments	(37,887)	(133)
At 31 December 2003	20,113	1,133
Inceptions	10,500	–
Repayments	(14,357)	(295)
At 31 December 2004	16,256	838
Inceptions	161,950	10
Repayments	(40,990)	(311)
At 31 December 2005	137,216	537

30 Contingent liabilities – VQH Group

The VQH Group has been named as a defendant in various product liability cases. These cases are in various stages and it is premature to evaluate the likelihood of an unfavourable outcome. The VQH Group's product liability insurance coverage provides defence for these matters. The directors believe any future liabilities in these cases would be adequately covered by the VQH Group's product liability insurance. Punitive damages, if awarded, would not be covered by insurance. However, in the opinion of the directors, future punitive damages, if any, would not significantly impact the VQH Group's financial position or results of operation.

The VQH Group is also a party to various other legal matters arising in the normal course of business. It is the opinion of the directors that the disposition of these matters will not be significant.

Details of provisions for legal claims are as follows:

	Year ended 31 December		
	2003 *US$'000*	2004 *US$'000*	2005 *US$'000*
At 1 January	–	800	–
Expensed in the consolidated income statement:			
– Additional provisions	800	–	1,590
– Unused amounts reversed	–	(800)	–
At 31 December	800	–	1,590
Analysis of total provisions:			
Non-current	–	–	–
Current	800	–	1,590

31 Commitments – VQH Group

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	At 31 December 2003 *US$'000*	2004 *US$'000*	2005 *US$'000*
Property, plant and equipment			
Contracted but not provided for	–	–	–
Authorised but not contracted for	–	–	440
	–	–	440

(b) Commitments under operating leases

(i) The VQH Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Land and buildings At 31 December			Office equipment At 31 December		
	2003 *US$'000*	2004 *US$'000*	2005 *US$'000*	2003 *US$'000*	2004 *US$'000*	2005 *US$'000*
Within one year	1,384	1,393	2,206	64	51	98
In the second to fifth year inclusive	5,285	5,168	8,671	53	2	214
After the fifth year	5,190	3,931	21,373	–	–	–
	11,859	10,492	32,250	117	53	312

(ii) The VQH Group had total future aggregate minimum lease payments under non-cancellable operating leases for certain machinery and equipment under sales and lease-back arrangement which expire as follows:

	At 31 December 2003 *US$'000*	2004 *US$'000*	2005 *US$'000*
Within one year	293	232	307
In the second to fifth year inclusive	264	32	1,099
After the fifth year	–	–	–
	557	264	1,406

32 Related party transactions

During the Relevant Periods, the following transactions were carried out with related parties:

(i) Sales and purchases of goods

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Sales of goods:			
– related companies, in which a director has interests	851	539	2,981
Purchases of goods:			
– a related company, in which a director has interests	4	–	494

During the Relevant Periods, the VQH Group made sales to and purchases from a related company in which an member has common control.

(ii) Interest income and expense

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Interest income			
– an affiliated trust, in which a director has interests *(Note 6)*	1,648	1,746	381
Interest expense			
– a member *(Note 8)*	1,500	409	–
– a member of SPI *(Note 8)*	–	–	1,872
– a member of CPI *(Note 8)*	–	–	3,103

(iii) Operating lease rentals

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Lease rentals to			
– a related company, in which a director has interests	1,416	1,097	1,508

During the Relevant Periods, the VQH Group entered into several lease agreements with a related company in which a member has interests. The lease terms ranged from 10 years to 15 years. A property was sold by the member to a third party during the year ended 31 December 2003.

(iv) Key management compensation

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Salaries and other employee benefits	7,420	8,321	11,999

(v) Year-end balances arising from related party transactions

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Receivable from related companies, in which a director has interests, for sales and purchase of goods *(Note a)*	300	–	1,198
Receivable from an affiliated trust, in which a director has interests, for loan advanced (including both principal and interest)	29,301	31,047	–
	29,601	31,047	1,198
Note payable to a member (principal only)	4,243	–	–
Payable to a related company, in which a member has interests for operating lease rentals	–	122	–
	4,243	122	–

(a) In assessing the impairment of the receivable from a related company for sales and purchases of goods, the VQH Group wrote off approximately US$2,025,000, US$839,000 and US$925,000 during the years ended 31 December 2003, 2004 and 2005 respectively, which were included in general and administrative expenses.

(vi) Advances to a related party

	Year ended 31 December		
	2003	**2004**	**2005**
	US$'000	*US$'000*	*US$'000*
Beginning of the year	660	–	–
Advances during the year	1,181	1,363	600
Repayments received	(411)	(17)	–
Write-offs	(1,430)	(1,346)	(600)
End of the year	–	–	–
Maximum amount outstanding during the year	1,841	1,363	600

The advances were made to a related company in which a member has interests. The advances are unsecured, interest-free and without fixed terms of repayment. In assessing the impairment of the advances to the related company, the VQH Group wrote off approximately US$1,430,000, US$1,346,000 and US$600,000 during the years ended 31 December 2003, 2004 and 2005 respectively, which were included in general and administrative expenses.

33 Reconciliation of the effect of the transition from US GAAP to HKFRSs on the VQH Group's members' interests and income statements

As there is no material difference in members' interests between US GAAP and HKFRS as at 1 January 2003, no reconciliation of members' interests as at 1 January 2003 is presented.

(i) Reconciliation of members' interests as at 31 December 2005

	Note	**At 31 December 2005** *US$'000*
Total members' interests under USGAAP (unaudited)		(171,384)
Changes in accounting policies (unaudited)	*(a)*	(456)
Impact on adoption of HKAS 32 and 39 "Financial instruments" (unaudited)	*(b(i), (ii))*	17,008
Total members' interests under HKFRS		(154,832)

(ii) Reconciliation of loss attributable to members for the year ended 31 December 2005

	Note	**For the year ended 31 December 2005** *US$'000*
Loss under USGAAP (unaudited)		(2,008)
Changes in accounting policies (unaudited)	*(a)*	(456)
Adoption of HKAS 32 and 39 "Financial instruments" (unaudited)	*(b(ii))*	(4,975)
Correction of errors (unaudited)	*(c)*	892
Loss under HKFRS		(6,547)

(a) The Company's accounting policy on inventories was used in preparing the Financial Information of the VQH Group.

(b) (i) As a result of the adoption of HKAS 32 and 39, the CPI was classified as a compound financial instrument with the liability component of approximately US$33 million and equity component of US$17 million being allocated to non-current liabilities and members' interests respectively upon initial recognition. The whole CPI was classified as a liability item under the US GAAP financial statements.

(ii) In accordance with HKAS 32 and 39, subsequent to initial recognition, all financial liabilities should be measured at amortised cost using the effective interest method. As a result, all interest expenses associated with the liability component of the CPI and SPI were measured at amortised cost using the effective interest rate of 12% and charged to the consolidated income statement in the year of incurrence, whereas for the loss for the year ended 31 December 2005 under USGAAP, such kind of interest expenses were measured at their respective coupon rate and charged directly against the members' interests.

(c) This represents the gain on disposal of a subsidiary, Nu-Life, in January 2005. Such gain was not recorded in the books prepared under USGAAP. According to HKFRS 5, this gain should be recognised in the year of disposal.

34 Subsequent events

In February 2006, the members of VQH signed a definitive sale agreement wherein the Company agreed to acquire all of the stocks of MidOcean Partners Vita I Corp and MidOcean Partners Vita II Corp plus a portion of members' interest held by VQI for a combined aggregate interest of 80% of the members' interests of VQH and 100% of the non-voting preferred interests of VQH.

35 Discontinued operations

On 10 January 2005, the VQH Group disposed of its interests in Nu-Life to VQI at zero consideration in exchange for VQI's assumption of Nu-Life's indebtedness to the VQH Group.

An analysis of the result of the discontinued operations is as follows:

	2003 *US$'000*	**2004** *US$'000*	**2005** *US$'000*
Revenue	9,008	8,194	318
Expense	(9,505)	(10,827)	(333)
Loss before tax of discontinued operations	(497)	(2,633)	(15)
Tax	4	(25)	–
Loss after tax of discontinued operations	(493)	(2,658)	(15)
Pre-tax gain recognised on the realisation of assets of disposal group	–	–	907
Tax	–	–	–
After tax gain recognised on the realisation of assets of disposal group	–	–	907
(Loss)/profit for the year from discontinued operations	(493)	(2,658)	892
Operating cash flows	144	(43)	(156)
Investing cash flows	(76)	(51)	2
Financing cash flows	(620)	–	105
Total cash flows	(552)	(94)	(49)
Property plant and equipment			224
Inventories			3,676
Trade and other receivables			1,790
Other current assets			238
Total assets			5,928
Trade and other payables			(5,474)
Bank overdrafts			(256)
Other current liabilities			(1,105)
Net liabilities			(907)
Consideration			–
Net liabilities sold			(907)
Gain on disposal of discontinued operations			(907)
Net cash inflow on disposal			
Transfer out of bank overdrafts			256

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for VQH or its subsidiaries comprising the VQH Group in respect of any period subsequent to 31 December 2005. In addition, up to the date of this report, no dividend or distribution has been declared, made or paid by VQH or its subsidiaries in respect of any period subsequent to 31 December 2005.

Yours faithfully,
PricewaterhouseCoopers
Certified public accountants
Hong Kong

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

18 April 2006

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

Dear Sirs

We set out below our report on the financial information relating to MidOcean Partners Vita I Corp. ("MOP I Holdings") for the period from 1 February 2005 (date of incorporation) to 31 December 2005 (the "Relevant Period") for inclusion in the circular of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") dated 18 April 2006 (the "Circular") in connection with the proposed acquisition of 80% of the entire issued members' interests and 100% of the non-voting senior preferred interests of Vitaquest International Holdings LLC by the Company.

MOP I Holdings is a corporation incorporated in the United States of America under the laws of the State of Delaware on 1 February 2005.

No audited accounts have been prepared for MOP I Holdings since its date of incorporation as it was newly incorporated.

For the purpose of this report, based on the unaudited management accounts of MOP I Holdings under generally accepted accounting principles in the United States of America prepared by the directors of MOP I Holdings, the directors of the Company have prepared the financial statements of MOP I Holdings for the Relevant Period ("HKFRS financial statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for preparing the HKFRS financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the HKFRS financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information as set out in sections I to II below (the "Financial Information") has been prepared based on the HKFRS financial statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of MOP I Holdings as at 31 December 2005 and of its results and cash flows for the Relevant Period.

I FINANCIAL INFORMATION

(a) Income statement

	Note	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 US$
Revenue	5	1,180,412
Other gains	6	169,000
Other expenses		(1,100)
Profit before taxation		1,348,312
Income tax expense	8	–
Profit for the period attributable to the equity holder of MOP I Holdings		1,348,312
Earnings per share for profit attributable to the equity holder of MOP I Holdings during the period – Basic	9	13,483
Distributions	10	–

(b) Balance sheet

	Note	As at 31 December 2005 US$
Non-current assets		
Financial assets at fair value through profit or loss	11	20,510,663
Current liabilities		
Other payable		1,100
Total assets less current liabilities		20,509,563
Capital and reserves attributable to the equity holder of MOP I Holdings		
Share capital	13	19,161,251
Retained earnings	14	1,348,312
Total equity		20,509,563

(c) Cash flow statement

	Note	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 US$
Operating activities		
Net cash inflow generated from operations	15	–
Net cash inflow from operating activities		–
Investing activities		
Investment in financial assets at fair value through profit or loss		(19,161,251)
Net cash outflow from investing activities		(19,161,251)
Financing activities		
Issue of share capital		19,161,251
Net cash inflow from financing activities		19,161,251
Net increase in cash and cash equivalents		–
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period		–

(d) Statement of changes in equity

		For the period from 1 February 2005 (date of incorporation) to 31 December 2005		
		Share capital	**Retained earnings**	**Total**
	Note	*US$*	*US$*	*US$*
Total equity at the beginning of the period		–	–	–
Profit for the period	*14*	–	1,348,312	1,348,312
Issue of share capital	*13*	19,161,251	–	19,161,251
Total equity at the end of the period		19,161,251	1,348,312	20,509,563

II NOTES TO THE FINANCIAL STATEMENTS

1 Organisation and principal activities

MOP I Holdings was a corporation incorporated in the United States of America ("US") under the laws of the State of Delaware on 1 February 2005. It is engaged in investment holding.

The address of MOP I Holdings' registered office is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County of New Castle, US.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Period presented.

2.1 Basis of preparation

The Financial Information of MOP I Holdings has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This is the first set of MOP I Holdings' financial statements since its incorporation prepared in accordance with HKFRS. They have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MOP I Holdings' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 to this report.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for MOP I Holdings' accounting periods beginning on or after 1 January 2006 or later periods but which MOP I Holdings has not early adopted, as follows:

HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. MOP I Holdings believes that this amendment should not have a significant impact on the classification of financial instruments, as MOP I Holdings should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. MOP I Holdings will apply this amendment from annual periods beginning 1 January 2006.

HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. MOP I Holdings assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. MOP I Holdings will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006) requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on MOP I Holdings' operations.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

No business or geographical segment analysis is presented as all operations, assets and liabilities of MOP I Holdings during the Relevant Period are related to investment holding in the US.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of MOP I Holdings are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in US dollars, which is also MOP I Holdings' functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2.4 Financial assets

MOP I Holdings classifies its financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognised on trade-date – the date on which MOP I Holdings commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss are presented in the income statement within other losses/gains – net in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), MOP I Holdings establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, reference to other instruments that are substantially the same, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.5 Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks with original maturities of three months or less.

2.6 Share capital

Share capital is classified as equity.

Incremental costs directly attributable to the issue of new issues are shown in share capital as a deduction, net of tax, from the proceeds.

2.7 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.8 Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, MOP I Holdings reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.9 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of MOP I Holdings. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of MOP I Holdings.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 Financial risk management

3.1 Financial risk factors

MOP I Holdings' investment is subject to various risk factors including market risk and credit risk. MOP I Holdings' investment is also subject to the risk associated with investing in private equity securities. Private equity securities are illiquid, and there can be no assurance that the corporation will be able to realize the value of such investments in a timely manner. The corporation may invest in entities that operate internationally, which may subject the investments to additional risks resulting from political or economic changes in such countries or regions. The corporation may have a concentration of investments in a particular industry or sector. The investment performance in these countries, regions or industries will have a significant impact on the performance of the corporation.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. MOP I Holdings uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The technique of estimated discounted cash flows is used to determine the fair value of the financial assets at fair value through profit or loss.

Were the discount rate used to determine the fair value of the financial assets to differ by the amount of 1% from the directors' estimate, the fair value of the financial assets as at 31 December 2005 would be an estimated US$1.9 million higher or US$1.7 million lower.

4 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates included in the financial statements.

5 Turnover and revenue

The principal activity of MOP I Holdings is investment holdings. Interest income of US$1,180,412 was derived during the Relevant Period.

6 Other gains

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 *US$*
Fair value gain – financial assets at fair value through profit or loss	169,000

7 Employee benefit expense (including directors' emoluments)

(a) Directors' and senior management's emoluments

The remuneration of the sole director for the Relevant Period is set out below:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005				
Name of director	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Pension contributions**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*
James Edward Virtue	–	–	–	–	–

During the Relevant Period, no emoluments have been paid to the sole director of MOP I Holdings as an inducement to join or upon joining MOP I Holdings, or as compensation for loss of office.

(b) Five highest paid individuals

During the Relevant Period, no emoluments have been paid to individuals of MOP I Holdings.

8 Income tax expense

The state income tax has been provided for at the rate of 42.9% on the estimated taxable income for the Relevant Period.

The amount of taxation charged to the income statement for the Relevant Period represents:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005
	US$
Current income tax:	
– State income tax	–
Taxation charge	–

The tax on the MOP I Holdings' profit before taxation differs from the theoretical amount that would arise using the tax rate of the home country of MOP I Holdings as follows:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005
	US$
Profit before taxation	1,348,312
Calculated at a tax rate of 42.9% on profit before taxation	578,426
Income not subject to taxation	(578,426)
Tax expense	–

As at 31 December 2005, there was no material unprovided deferred taxation.

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holder of MOP I Holdings by the weighted average number of common equity interests in issue during the Relevant Period.

	For the period from 1 February 2005 to 31 December 2005
Profit attributable to equity holder of MOP I Holdings *(US$)*	1,348,312
Weighted average number of common equity interests in issue *(share)*	100
Basic earnings per share of common equity interests *(US$ per share)*	13,483

(b) Diluted

There was no dilutive potential common equity interest during the Relevant Period.

10 Distributions

There was no distribution to the equity holder during the Relevant Period.

11 Financial assets at fair value through profit or loss

	As at 31 December 2005 *US$*
Unlisted securities – US	20,510,663

The carrying amount of the above financial assets is classified as follows:

	As at 31 December 2005 *US$*
Designated at fair value through profit or loss on initial recognition	20,510,663

The financial assets at fair value through profit or loss represent part of the US$50.37 million of convertible preferred interests ("CPI") issued by Vitaquest International Holdings LLC ("VQH") in March 2005. These CPI are convertible into voting common interests ("VCI") at the option of MOP I Holdings at any time on or prior to the date of mandatory redemption by VQH on 17 September 2016. Any such conversion shall occur at a conversion rate of one membership unit comprising the VCI for each membership unit comprising the CPI. On 17 September 2016, the CPI shall be mandatory redeemed by VQH at a price equal to, with respect to the CPI of each holder, (a) the aggregate capital contributed as CPI plus (b) an accretion on such capital contribution from the time made at a rate accreting quarterly that results in a compounded annual return of 8%.

12 Cash and cash equivalents

Cash and cash equivalents include only cash at bank and in hand.

13 Share capital

	Number of shares	**Common equity interests** *US$*
Issue of common stocks	100	1
Additional paid-in capital	–	19,161,250
At 31 December 2005	100	19,161,251

MOP I Holdings was incorporated on 1 February 2005 with an initial capital of US$1 divided into 100 shares of common stocks at par value of US$0.01 each. Total initial capital injection amounted to US$19,161,251 which gave rise to US$19,161,250 additional paid-in capital.

14 Retained earnings

	As at 31 December 2005 *US$*
Profit for the period and as at 31 December 2005	1,348,312

15 Note to the cash flow statements

Reconciliation of profit before tax to net cash inflow generated from operations

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 *US$*
Profit before tax	1,348,312
Interest income	(1,180,412)
Fair value gain on financial assets through profit or loss	(169,000)
Operating loss before working capital changes	(1,100)
Increase in other payable	1,100
Net cash inflow generated from operations	–

16 Subsequent event

In February 2006, the members of MOP I Holdings signed a definitive sale agreement wherein the Company agreed to acquire all of the stocks of MOP I Holdings and MidOcean Partners Vita II Corp. plus a portion of members' interest held by VQ Investments Inc. for a combined aggregate interest of 80% of the members' interests and 100% of the non-voting senior preferred interests of VQH.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for MOP I Holdings in respect of any period subsequent to 31 December 2005. In addition, up to the date of this report, no dividend or distribution has been declared, made or paid by MOP I Holdings in respect of any period subsequent to 31 December 2005.

Yours faithfully,
PricewaterhouseCoopers
Certified public accountants
Hong Kong

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

PRICEWATERHOUSECOOPERS
羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

18 April 2006

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

Dear Sirs

We set out below our report on the financial information relating to MidOcean Partners Vita II Corp. ("MOP II Holdings") for the period from 1 February 2005 (date of incorporation) to 31 December 2005 (the "Relevant Period") for inclusion in the circular of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") dated 18 April 2006 (the "Circular") in connection with the proposed acquisition of 80% of the entire issued members' interests and 100% of the non-voting senior preferred interests of Vitaquest International Holdings LLC by the Company.

MOP II Holdings is a corporation incorporated in the United States of America under the laws of the State of Delaware on 1 February 2005.

No audited accounts have been prepared for MOP II Holdings since its date of incorporation as it was newly incorporated.

For the purpose of this report, based on the unaudited management accounts of MOP II Holdings under the generally accepted accounting principles in the United States of America prepared by the directors of MOP II Holdings, the directors of the Company have prepared the financial statements of MOP II Holdings for the Relevant Period ("HKFRS financial statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for preparing the HKFRS financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the HKFRS financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information as set out in sections I to II below (the "Financial Information") has been prepared based on the HKFRS financial statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of MOP II Holdings as at 31 December 2005 and of its results and cash flows for the Relevant Period.

I FINANCIAL INFORMATION

(a) Income statement

	Note	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 US$
Revenue	5	1,922,822
Other gains	6	275,000
Other expenses		(1,100)
Profit before taxation		2,196,722
Income tax expense	8	–
Profit for the period attributable to the equity holder of MOP II Holdings		2,196,722
Earnings per share for profit attributable to the equity holder of MOP II Holdings during the period – Basic	9	21,967
Distributions	10	–

(b) Balance sheet

	Note	As at 31 December 2005 US$
Non-current assets		
Financial assets at fair value through profit or loss	*11*	33,406,337
Current assets		
Cash and cash equivalents	*12*	234
Current liabilities		
Other payable		1,100
Net current liabilities		(866)
Total assets less current liabilities		33,405,471
Capital and reserves attributable to the equity holder of MOP II Holdings		
Share capital	*13*	31,208,749
Retained earnings	*14*	2,196,722
Total equity		33,405,471

(c) Cash flow statement

	Note	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 US$
Operating activities		
Net cash inflow generated from operations	15	–
Net cash inflow from operating activities		–
Investing activities		
Investment in financial assets at fair value through profit or loss		(31,208,749)
Interest received		234
Net cash outflow from investing activities		(31,208,515)
Financing activities		
Issue of share capital		31,208,749
Net cash inflow from financing activities		31,208,749
Net increase in cash and cash equivalents		234
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period		234

(d) Statement of changes in equity

		For the period from 1 February 2005 (date of incorporation) to 31 December 2005		
	Note	**Share capital** *US$*	**Retained earnings** *US$*	**Total** *US$*
Total equity at the beginning of the period		–	–	–
Profit for the period	*14*	–	2,196,722	2,196,722
Issue of share capital	*13*	31,208,749	–	31,208,749
Total equity at the end of the period		31,208,749	2,196,722	33,405,471

II NOTES TO THE FINANCIAL STATEMENTS

1 Organisation and principal activities

MOP II Holdings was a corporation incorporated in the United States of America ("US") under the laws of the State of Delaware on 1 February 2005. It is engaged in investment holding.

The address of MOP II Holdings' registered office is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County of New Castle, US.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Period presented.

2.1 Basis of preparation

The Financial Information of MOP II Holdings has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This is the first set of MOP II Holdings' financial statements since its incorporation prepared in accordance with HKFRS. They have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MOP II Holdings' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 to this report.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for MOP II Holdings' accounting periods beginning on or after 1 January 2006 or later periods but which MOP II Holdings has not early adopted, as follows:

HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. MOP II Holdings believes that this amendment should not have a significant impact on the classification of financial instruments, as MOP II Holdings should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. MOP II Holdings will apply this amendment from annual periods beginning 1 January 2006.

HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. MOP II Holdings assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. MOP II Holdings will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006) requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on MOP II Holdings' operations.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

No business or geographical segment analysis is presented as all operations, assets and liabilities of MOP II Holdings during the Relevant Period are related to investment holding in the US.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of MOP II Holdings are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in US dollars, which is also MOP II Holdings' functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2.4 Financial assets

MOP II Holdings classifies its financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognised on trade-date – the date on which MOP II Holdings commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss are presented in the income statement within other losses/gains – net in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), MOP II Holdings establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, reference to other instruments that are substantially the same, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.5 Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks with original maturities of three months or less.

2.6 Share capital

Share capital is classified as equity.

Incremental costs directly attributable to the issue of new issues are shown in share capital as a deduction, net of tax, from the proceeds.

2.7 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.8 Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, MOP II Holdings reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.9 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of MOP II Holdings. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of MOP II Holdings.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 Financial risk management

3.1 Financial risk factors

MOP II Holdings' investment is subject to various risk factors including market risk and credit risk. MOP II Holdings' investment is also subject to the risk associated with investing in private equity securities. Private equity securities are illiquid, and there can be no assurance that the corporation will be able to realize the value of such investments in a timely manner. The corporation may invest in entities that operate internationally, which may subject the investments to additional risks resulting from political or economic changes in such countries or regions. The corporation may have a concentration of investments in a particular industry or sector. The investment performance in these countries, regions or industries will have a significant impact on the performance of the corporation.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. MOP II Holdings uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The technique of estimated discounted cash flows is used to determine the fair value of the financial assets at fair value through profit or loss.

Were the discount rate used to determine the fair value of the financial assets to differ by the amount of 1% from the directors' estimate, the fair value of the financial assets as at 31 December 2005 would be an estimated US$3.0 million higher or US$2.8 million lower.

4 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates included in the financial statements.

5 Turnover and revenue

The principal activity of MOP II Holdings is investment holdings. Interest income of US$1,922,822 was derived during the Relevant Period.

6 Other gains

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 *US$*
Fair value gain – financial assets at fair value through profit or loss	275,000

7 Employee benefit expense (including directors' emoluments)

(a) Directors' and senior management's emoluments

The remuneration of the sole director for the Relevant Period is set out below:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005				
Name of director	**Fees**	**Salaries and allowances**	**Discretionary bonuses**	**Pension contributions**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*
James Edward Virtue	–	–	–	–	–

During the Relevant Period, no emoluments have been paid to the sole director of MOP II Holdings as an inducement to join or upon joining MOP II Holdings, or as compensation for loss of office.

(b) Five highest paid individuals

During the Relevant Period, no emoluments have been paid to individuals of MOP II Holdings.

8 Income tax expense

The state income tax has been provided for at the rate of 42.9% on the estimated taxable income for the Relevant Period.

The amount of taxation charged to the income statement for the Relevant Period represents:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005
	US$
Current income tax:	
– State income tax	–
Taxation charge	–

The tax on the MOP II Holdings' profit before taxation differs from the theoretical amount that would arise using the tax rate of the home country of MOP II Holdings as follows:

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005
	US$
Profit before taxation	2,196,722
Calculated at a tax rate of 42.9% on profit before taxation	942,394
Income not subject to taxation	(942,394)
Tax expense	–

As at 31 December 2005, there was no material unprovided deferred taxation.

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holder of MOP II Holdings by the weighted average number of common equity interests in issue during the Relevant Period.

	For the period from 1 February 2005 to 31 December 2005
Profit attributable to equity holder of MOP II Holdings *(US$)*	2,196,722
Weighted average number of common equity interests in issue *(share)*	100
Basic earnings per share of common equity interests *(US$ per share)*	21,967

(b) Diluted

There was no dilutive potential common equity interests during the Relevant Period.

10 Distributions

There was no distribution to the equity holder during the Relevant Period.

11 Financial assets at fair value through profit or loss

	As at 31 December 2005 *US$*
Unlisted securities – US	33,406,337

The carrying amount of the above financial assets is classified as follows:

	As at 31 December 2005 *US$*
Designated at fair value through profit or loss on initial recognition	33,406,337

The financial assets at fair value through profit or loss represent part of the US$50.37 million of convertible preferred interests ("CPI") issued by Vitaquest International Holdings LLC ("VQH") in March 2005. These CPI are convertible into voting common interests ("VCI") at the option of MOP II Holdings at any time on or prior to the date of mandatory redemption by VQH on 17 September 2016. Any such conversion shall occur at a conversion rate of one membership unit comprising the VCI for each membership unit comprising the CPI. On 17 September 2016, the CPI shall be mandatory redeemed by VQH at a price equal to, with respect to the CPI of each holder, (a) the aggregate capital contributed as CPI plus (b) an accretion on such capital contribution from the time made at a rate accreting quarterly that results in a compounded annual return of 8%.

12 Cash and cash equivalents

Cash and cash equivalents include only cash at bank and in hand.

13 Share capital

	Number of shares	Common equity interests *US$*
Issue of common stocks	100	1
Additional paid-in capital	–	31,208,748
At 31 December 2005	100	31,208,749

MOP II Holdings was incorporated on 1 February 2005 with an initial capital of US$1 divided into 100 shares of common stocks at par value of US$0.01 each. Total initial capital injection amounted to US$31,208,749 which gave rise to US$31,208,748 additional paid-in capital.

14 Retained earnings

	As at 31 December 2005 *US$*
Profit for the period and as at 31 December 2005	2,196,722

15 Note to the cash flow statements

Reconciliation of profit before tax to net cash inflow generated from operations

	For the period from 1 February 2005 (date of incorporation) to 31 December 2005 *US$*
Profit before tax	2,196,722
Interest income	(1,922,822)
Fair value gain on financial assets through profit or loss	(275,000)
Operating loss before working capital changes	(1,100)
Increase in other payable	1,100
Net cash inflow generated from operations	–

16. Subsequent event

In February 2006, the members of MOP II Holdings signed a definitive sale agreement wherein the Company agreed to acquire all of the stocks of MOP II Holdings and MidOcean Partners Vita I Corp. plus a portion of members' interest held by VQ Investments Inc. for a combined aggregate interest of 80% of the members' interests and 100% of the non-voting senior preferred interests of VQH.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for MOP II Holdings in respect of any period subsequent to 31 December 2005. In addition, up to the date of this report, no dividend or distribution has been declared, made or paid by MOP II Holdings in respect of any period subsequent to 31 December 2005.

Yours faithfully,
PricewaterhouseCoopers
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 is 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 pursuant to 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%
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

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 Int'l Limited ("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 International Limited ("Trueway") and Triluck Assets Limited ("Triluck") are wholly-owned by Tangiers Enterprises Limited ("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%

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 17,720,700 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	3,068,500	30/9/2003 – 29/9/2012 *(Note 1)*	1.598
27/1/2003	6,826,200	27/1/2004 – 26/1/2013 *(Note 2)*	1.446
19/1/2004	7,826,000	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 the 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, manufacturing, commercialization, marketing and selling of environmental and human health products.

(ii) Investments in various financial and investment 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	Deputy Managing 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)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
Pang Shiu Fun	Cheung Kong (Holdings) Limited	Holder of listed shares	(ii)
	Hutchison Whampoa Limited	Holder of listed shares	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Holder of listed shares	(i) & (ii)
Wong Yue-chim, Richard	Great Eagle Holdings Limited	Independent Non-executive Director	(ii)
	Orient Overseas (International) Limited	Independent Non-executive Director	(ii)

Name of Director	Name of Company	Nature of Interest	Competing Business *(Note 2)*
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 was 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) As at the Latest Practicable Date, none of the Directors had 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 had any direct or indirect interest in any assets which had 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 were 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 was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

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

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given their opinions in this circular:

Name	Qualification
Dao Heng	A deemed licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO.
Deloitte Touche Tohmatsu	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, Dao Heng did not have any interest 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 interest 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, PricewaterhouseCoopers did not have any interest 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, Dao Heng did not have any direct or indirect interest in any assets which have been since 31 December 2005, 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 were proposed to be acquired or disposed of by, or leased to, the Company or 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 2005, 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.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any direct or indirect interest in any assets which have been since 31 December 2005, 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 were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

Dao Heng has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 18 April 2006 and the references to its name included herein in the form and context in which they respectively appear.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 18 April 2006 and the references to its name included herein in the form and context in which they respectively appear.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 18 April 2006 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 2 May 2006:

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

(b) the 2004 and 2005 annual reports of the Company for the two financial years ended 31 December 2004 and 2005 respectively;

(c) the accountants' report on the financial information of the Vitaquest Group;

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

(e) the letters of consent from each of Deloitte Touche Tohmatsu, PricewaterhouseCoopers and Dao Heng referred to in the section headed "Experts and Consents" in this Appendix;

(f) the Manufacturing Agreement; and

(g) the Service Contract.

11. OTHER INFORMATION

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

(b) Mr. Mo Yiu Leung, Jerry is the qualified accountant of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

(c) Mr. Yu Ying Choi, Alan Abel is the compliance officer of the Company. He is currently an Executive Director, and the Vice President and Chief Operating Officer of the Company.

(d) 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 external 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.

(e) The Board comprises six Executive Directors and four Non-executive Directors:

Executive Directors:

LI Tzar Kuoi, Victor, aged 41, is the Chairman of the Group since April 2002 and the Chairman of the Remuneration Committee of the Company. He is the Managing Director and Deputy Chairman of CKH. He is also the Chairman of Cheung Kong Infrastructure Holdings Limited, Deputy Chairman of Hutchison Whampoa Limited, an Executive Director of Hongkong Electric Holdings Limited, Co-Chairman of Husky Energy Inc. and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Li serves as a member of the Standing Committee of the 10th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region. Mr. Li holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr. Victor Li is son of Mr. Li Ka-shing, a substantial Shareholder within the meaning of Part XV of the SFO, and nephew of Mr. Kam Hing Lam, President and Chief Executive Officer of the Company. Mr. Victor Li is also a Director of each of (i) Triluck, a management Shareholder, and (ii)

Trueway, (iii) Tangiers, (iv) Gold Rainbow, (v) Gotak Limited and (vi) CKH, all being substantial Shareholders within the meaning of Part XV of the SFO. The residential address of Mr. Victor Li is 79 Deep Water Bay Road, Hong Kong.

KAM Hing Lam, aged 59, is the President and Chief Executive Officer of the Group responsible for overall strategic direction and key operating decisions. He has been instrumental in the formation of the Group. He has been with the Group since its establishment in December 1999 and has played a leading role in developing the Group's corporate direction and strategic vision and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Kam is also a Deputy Managing Director of CKH, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, an Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited, and a Non-executive Director of Spark Infrastructure Group. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a Director of each of (i) Gold Rainbow, (ii) Gotak Limited and (iii) CKH, all being substantial Shareholders within the meaning of Part XV of the SFO. The residential address of Mr. Kam is 2nd Floor, 1 Kotewall Road, Hong Kong.

IP Tak Chuen, Edmond, aged 53, is the Senior Vice President and Chief Investment Officer responsible for the investment activities of the Group. He joined the Cheung Kong Group in 1993 and the Group in December 1999. He is also a Deputy Managing Director of CKH, Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and a Non-executive Director of each of TOM Group Limited, CATIC International Holdings Limited, Excel Technology International Holdings Limited and Shougang Concord International Enterprises Company Limited and a Director of Critical Path, Inc. Mr. Ip previously held directorships as Non-executive Director of each of Trasy Gold Ex Limited (resigned on 28 May 2003) and Hanny Holdings Limited (retired on 1 September 2005) and as a Director of priceline.com Incorporated (retired on 1 June 2005). He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a Director of each of (i) Triluck, a management Shareholder, and (ii) Trueway, (iii) Tangiers, (iv) Gold Rainbow, (v) Gotak Limited and (vi) CKH, all being substantial Shareholders within the meaning of Part XV of the SFO. The residential address of Mr. Ip is Flat B2, 10/F., Park Place, No. 7 Tai Tam Reservoir Road, Hong Kong.

YU Ying Choi, Alan Abel, aged 50, is the Vice President and Chief Operating Officer of the Group responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. Mr. Yu holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson. The residential address of Mr. Yu is Flat 02, 34/F., Block B, Beverly Hill, 6 Broadwood Road, Hong Kong.

PANG Shiu Fun, aged 61, is the Vice President and Chief Technology Officer of the Group responsible for the overall strategic direction regarding technology and product development. Dr. Pang holds a Bachelor of Science degree from The Chinese University of Hong Kong, a Master of Arts degree from The California State University and a Doctorate in Biology from The University of Pittsburgh. Dr. Pang has been lecturing and conducting research in Canada and Hong Kong. He joined the Cheung Kong Group in March 2000 and the Group in April 2000. Prior to joining the Group, he was Head of the Department of Physiology, Faculty of Medicine, The University of Hong Kong. He has published numerous articles and books in biological sciences. He has been the Founding Editor and Editor-in-Chief of Biological Signals and Biological Signals and Receptors, Founding President of The Hong Kong Society of Neurosciences, Adjunct Professor of The University of Toronto and The Clarke Institute of Psychiatry, Toronto, and is Honorary or Visiting Professor of over ten universities. The residential address of Dr. Pang is 41D, Tower 9, Island Harbourview, Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong.

CHU Kee Hung, aged 61, is the Vice President, Technology and Product Development, of the Group responsible for the technology and product development activities of the Group. Dr. Chu holds a Bachelor of Science degree in Physics from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both in Engineering Science from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 20 years' experience in project management, design, construction, operations and management of power plants in the United States, Mainland China and Hong Kong. The residential address of Dr. Chu is Apartment 17A, Tower II, Robinson Heights, 8 Robinson Road, Mid-Level, Hong Kong.

Non-executive Directors:

TULLOCH, Peter Peace, aged 62, serves as the Chairman and Non-executive Director of each of Paton Fertilizers Pty Limited, a wholly-owned subsidiary of the Company, Powercor Australia Limited, CitiPower Pty, ETSA Utilities and CrossCity Motorway Pty Limited, and a Non-executive Director of Lane Cove Tunnel Company Pty Limited and CIBC Australia Holdings Limited. He is also a Director of each of (i) TUT as trustee of the LKS Unity Trust and (ii) TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust, both being substantial Shareholders within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Group in April 2002. The residential address of Mr. Tulloch is 1307 The Ikon, 81 MacLeay Street, Potts Point, NSW 2011, Australia.

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 Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong is also 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, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited and Sun Hung Kai Properties Limited. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Group in June 2002 and is the Chairman of the Audit Committee of the Company. The residential address of Professor Wong is 28A, Block 1, Estoril Court, 55 Garden Road, Hong Kong.

KWOK Eva Lee, aged 64, 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. Mrs. Kwok was previously an Independent Director of Air Canada (resigned on 3 October 2003) and Telesystems International Wireless (TIW) Inc. (resigned on 2 December 2003). In addition, she previously sat on the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc. (from 2002 through 2003), the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd. (from 1995 through 1999), the Audit and Corporate Governance Committees of Clarica Life Insurance Company (from 1993 through 1999) and the Corporate Governance Committee of Air Canada (from 1998 through 2003). Mrs. Kwok was appointed an Independent Non-executive Director of the Group in June 2002 and is a member of the Audit Committee and the Remuneration Committee of the Company. The residential address of Mrs. Kwok is 1801-1483 West 7th Avenue, Vancouver, B.C. V6H 4H6, Canada.

RUSSEL, Colin Stevens, aged 65, 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 (from 2001 through 2002), Consul General for Canada in Hong Kong (from 1997 through 2001), Director for China of the Department of Foreign Affairs, Ottawa (from 1994 through 1997), Director for East Asia Trade in Ottawa (from 1993 through 1994), Senior Trade Commissioner for Canada in Hong Kong (from 1990 through 1993), Director for Japan Trade in Ottawa (from 1988 through 1990), and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India (from 1972 through 1988). 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 (from 1962 through 1971). 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. He was appointed an Independent Non-executive Director of the Group in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company. The residential address of Mr. Russel is Arch Cottage, Alderley Farm, Alderley, Wotton-Under-Edge, Gloucestershire GL12 7QT, United Kingdom.

(f) 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.

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

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

(i) 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.

(j) 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.

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

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 11 May 2006 at 9:30 a.m. for the following purposes:

1. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(1) "**THAT** the Vitaquest Acquisition (as defined in the circular of the Company dated 18 April 2006 (the "Circular")) on the terms and subject to the conditions of the Vitaquest Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be approved and that any one executive director of the Company or any other person authorized by the board of directors of the Company from time to time be authorized to execute all such documents and if necessary any one executive director of the Company together with another executive director of the Company or with the company secretary of the Company or with any other person authorized by the board of directors of the Company from time to time be authorized to apply the common seal of the Company thereto and to do all such acts, matters and things as he/she/they may in his/her/their discretion consider necessary or desirable on behalf of the Company and/or any of its subsidiaries for the purpose of implementing, and otherwise in connection with, the Vitaquest Acquisition or the implementation, exercise or enforcement of any of the rights, and performance of any of the obligations, under the Vitaquest Agreement including doing all such acts and executing all such documents as may be necessary in connection therewith and agreeing any modifications, amendments, waivers, variations or extensions of the Vitaquest Agreement as he/she/they may deem fit."

(2) "**THAT**:

(a) the Manufacturing Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked "B" and signed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be approved and that the aggregate annual sales to

Nu-Life pursuant to the Manufacturing Agreement to be subject to the maximum aggregate annual values in each of the three financial years ending 31 December 2008 as stated below:

Time period	Caps
For the year ending 31 December 2006	US$4,000,000
For the year ending 31 December 2007	US$5,200,000
For the year ending 31 December 2008	US$6,400,000

(b) any one executive director of the Company or any other person authorized by the board of directors of the Company from time to time be authorized to execute all such documents and if necessary any one executive director of the Company together with another executive director of the Company or with the company secretary of the Company or with any other person authorized by the board of directors of the Company from time to time be authorized to apply the common seal of the Company thereto and to do all such acts, matters and things as he/she/they may in his/her/their discretion consider necessary or desirable on behalf of the Company and/or any of its subsidiaries for the purpose of implementing, and otherwise in connection with, the Manufacturing Agreement or the implementation, exercise or enforcement of any of the rights, and performance of any of the obligations, under the Manufacturing Agreement including doing all such acts and executing all such documents as may be necessary in connection therewith and agreeing any modifications, amendments, waivers, variations or extensions of the Manufacturing Agreement as he/she/they may deem fit."

(3) "**THAT** the Service Contract to be entered into between the Vitaquest LLC (as defined in the Circular) and the VQ Investor (as defined in the Circular), a draft of which has been produced to this meeting marked "C" and signed by the Chairman of the meeting for purpose of identification, be approved and that any one executive director of the Company or any other person authorized by the board of directors of the Company from time to time be authorized to execute all such documents and if necessary any one executive director of the Company together with another executive director of the Company or with the company secretary of the Company or with any other person authorized by the board of directors of the Company from time to time be authorized to apply the common seal of the Company thereto and to do all such acts, matters and things as he/she/they may in his/her/their discretion consider necessary or desirable on behalf of the Company and/or any of its subsidiaries for the purpose of implementing, and otherwise in connection with, the Service Contract or the implementation, exercise or enforcement of any of the rights, and performance of any of the obligations, under the Service Agreement including doing all such acts and executing all such documents as may be necessary in connection therewith and agreeing any modifications, amendments, waivers, variations or extensions of the Service Agreement as he/she/they may deem fit."

2. To consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

SPECIAL RESOLUTION

"**THAT** the Articles of Association of the Company be and are hereby amended by:–

(a) replacing the words "a special" by "an ordinary" immediately after the words "if he shall be removed from office by" in Article 106(vii); and

(b) replacing the word "special" by "ordinary" immediately after the words "The Company may by" in the first sentence of Article 122(a) and replacing the word "special" by "ordinary" immediately after the words "Power to remove Director by" in the heading adjacent to Article 122(a)."

By Order of the Board
Eirene Yeung
Company Secretary

Hong Kong, 18 April 2006

Notes:

a. At the Extraordinary General Meeting, the Chairman of the Meeting will exercise his power under Article 80 of the Company's Articles of Association to put each of the above resolutions to the vote by way of a poll.

b. A form of proxy for use at the Extraordinary General Meeting is enclosed.

c. Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.

d. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal place of business at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong not later than 48 hours before the time of the Extraordinary General Meeting or any adjournment thereof.

e. Completion and return of the proxy form will not preclude a member from attending and voting at the Extraordinary General Meeting or any adjourned meeting (as the case may be) should the member so desires.

f. The Register of Members will be closed from Thursday, 4 May 2006 to Thursday, 11 May 2006, both days inclusive, during which period no transfer of shares will be effected. All share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Wednesday, 3 May 2006.

g. The translation into Chinese language of this notice (including the Special Resolution which contains the proposed new Articles) is for reference only. In case of any inconsistency, the English version shall prevail.

This circular (in both English and Chinese versions) ("Circular") has been posted on the Company's website at 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.