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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)

## **HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2002**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

*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 sector or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

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

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

*This announcement, for which the directors (the “Directors”) of CK Life Sciences Int'l. (Holdings) Inc. (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification only

## CHAIRMAN'S STATEMENT

### **Accelerate Sales Growth    Strengthen Company Profitability**

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") is well placed to grow from a strong financial base following the successful listing on the Growth Enterprise Market ("GEM") of the Hong Kong Stock Exchange in July. The Directors are confident that the combined strengths of the Group's funding base, skilled scientific talents, unique R&D platform, extensive and valuable intellectual property, market-oriented business approach, and revenue generation strategy will put the Group in an ideal position to exploit considerable commercial opportunities in products which satisfy needs in human health and environmental sustainability.

#### **Interim Results**

During the six months ended 30 June 2002 which was a period prior to the listing, the Group recorded an unaudited loss attributable to shareholders of approximately HK\$49,368,000 (loss attributable to shareholders in the corresponding period last year was HK\$22,320,000). For the six months ended 30 June 2002, the loss per share was 0.97 cent, compared with a loss of 0.44 cent per share for the same period last year. The loss resulted principally from the expenses incurred in the Group's operating, research and development activities. The Board of Directors has not declared any interim dividend for the period under review.

#### **Achievements**

The Group's performance to 24 June 2002 has been detailed in the Company's prospectus dated 4 July 2002 (the "Prospectus"). The following are achievements accomplished subsequent to the publication of the Prospectus:

##### Listing

The Group was listed on the GEM of the Stock Exchange of Hong Kong on 16 July 2002, and has become the largest listed company on the GEM Board in terms of market capitalization. The listing has provided sustainable financial independence and flexibility, high business status and prominent corporate identity for CK Life Sciences. Currently, the Group is cash-rich, with more than HK\$2.5 billion available for further R&D and business expansion.

##### Patent Progress

CK Life Sciences is implementing an aggressive programme to build a portfolio of intellectual property, one of the Group's most valuable intangible assets.

Subsequent to the publication of the Prospectus, the following progress was made by CK Life Sciences in regard to patent applications:

- Two patents for the Group's eco-fertilizer products have been granted by the US Patent Office. Together with the three patents granted and two Notices of Allowance received for bioremediation products, the Group currently has a total of five patents granted and two approvals in the pipeline.

- Patents filed with the US Patent Office in July include:
  - a drug to treat AIDS;
  - a drug that can activate the immunity responses of white blood cells; and
  - 10 potential health supplement products.

In addition to the filing of patents for four fertilizer products, 13 animal feed products and three bioremediation products, CK Life Sciences has altogether 32 products at patent pending stage.

### Latest Status of CK Life Sciences' Patent Applications

	Eco-Agriculture		Bio-remediation	Nutra-ceuticals	Pharma-ceuticals	Dermato-logicals	Total
	Eco-fertilizer	Animal Feed Additive					
Patent Granted	2	–	3	–	–	–	5
Patent Approved – Notice of Allowance Received	–	–	2	–	–	–	2
Patent Pending	4	13	3	10	2	–	32
Drafting Stage	4	5	7	–	48	5	69
<b>Total</b>	<b>10</b>	<b>18</b>	<b>15</b>	<b>10</b>	<b>50</b>	<b>5</b>	<b>108</b>

### Expansion of Distribution Network

CK Life Sciences appointed two distributors in July for NutriSmart™:

#### *US Distributor – Wilbur-Ellis*

Wilbur-Ellis was appointed as the distributor for NutriSmart™ in the US, with the main focus being the organic produce market and golf courses.

#### *Malaysian Distributor – ACM*

Agricultural Chemicals (M) Sdn Bhd (“ACM”) was named the exclusive distributor of NutriSmart™ in Malaysia. CK Life Sciences and ACM will also form a strategic partnership in studying the application of NutriSmart™ on rice farming to facilitate development in the rice growing industry.

In addition to the appointment of distributors in Australia and Thailand earlier, CK Life Sciences has distribution networks in four countries presently spanning three continents – Australia, Asia and North America.

## **Prospects**

To accelerate the rate of market expansion and to maximize the Group's earnings potential, CK Life Sciences will adopt the following three main approaches:

### **1. Strengthen Immediate Revenue**

- CK Life Sciences will aggressively expand its eco-fertilizer distribution network in major markets to increase sales revenue.
- The Group will speed up launch of products with short R&D cycles that are close to final development, such as animal feed and bioremediation products, in order to maximize sales in the next few quarters.

### **2. Build Intangible Assets**

- The Group plans to submit patent applications for all the remaining inventions in the current portfolio in the next twelve months and hopes to have the majority of the 108 products patented within the next three years.

### **3. Accelerate Expansion into Human Health Market**

- The Group will speed up pre-market development and clinical trial of pharmaceutical products in partnership with universities and medical institutions in Hong Kong, Australia, and other countries around the world.

Generally, biotechnology companies take a number of years to become profitable. In CK Life Sciences' case, with its strong R&D progress and spontaneous initial market responses, it is envisaged that the Group would achieve profitability faster than industry norm. The management is fully confident in the prospects for the Group.

## **Acknowledgements**

I wish to acknowledge the untiring support and hard work of our Directors and the management and staff of the Group, contributing to our rapid development in the past six months. I also offer my thanks to you, our shareholders, for your support of our energetic new company, which is ready to capture the exciting opportunities ahead.

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 6 August 2002

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial review

Since the launch of NutriSmart™ in Thailand in December 2001, the Group has increased its sales volume and expanded its distribution network. For the six months ended 30 June 2002, turnover was approximately HK\$432,000 as compared to zero of the corresponding period last year. This turnover represents sales to Australia, Thailand and Myanmar amounting to HK\$225,000, HK\$148,000 and HK\$59,000 respectively. It is expected that sales will continue to grow for the second half of this year as the Group expands its distribution network.

The total expenses of the Group for the period was approximately HK\$49,596,000, which is about 122% increase when comparing to that of the same period last year. This increase was the result of a higher level of investment by the Group in research and development activities and business operations. It is expected that the Group will continue to maintain such higher level of investment during its initial stage of business development.

## Financial resources, liquidity and treasury policies

Prior to the public share offer and placing in July 2002 by the Company, the liquidity and capital requirements of the Group had been financed by its shareholders. The total amount of loans due to the shareholders by the Group was approximately HK\$522,158,000 and such amount was fully capitalized on 17 June 2002.

Other than the above shareholders' loans, the Group has not had any loan arrangements with or obtained any credit facilities from any financial institutions since its establishment. As such, the gearing ratio, which is expressed as the Group's net borrowings over shareholders' funds, has been zero up to now. Similarly, the Group's assets have never been subject to any charges or mortgages.

As of 30 June 2002, the Group had a net cash position of approximately HK\$22,000,000. Following the listing of the Company's shares on the GEM of the Stock Exchange on 16 July 2002, the liquidity position of the Group has been strengthened with the proceeds from the public share offer and placing, which amounts to approximately HK\$2.5 billion after deducting all relevant expenses. The Group intends to apply these proceeds in the manner as disclosed in the Prospectus.

Taking into consideration the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation, development requirements and investments in future.

The Group adopts a conservative treasury policies in cash and financial management. To achieve better risk control and minimize cost of funds, the Group's treasury activities are centralized. Cash is generally placed on deposits or interest-bearing instruments, mostly denominated in Hong Kong or U.S. dollars. The Group's liquidity and financing arrangements are reviewed regularly.

## Capital commitment

The Group has made a capital commitment of about HK\$4,600,000 as capital expenditure in respect of the purchase of laboratory instruments, plant and equipment. Such amount was not included in the financial statements for the period under review as these purchases had not yet materialized. Other than this commitment, the Group did not have any other significant capital commitments as at 30 June 2002.

## **Material acquisition/disposals and significant investment**

The Group had no material acquisitions, disposals and investment other than those set out in the Prospectus (Appendix IV under “Reorganization”) during the six months ended 30 June 2002. At present, the Group has no future plan for material investments and capital assets other than those mentioned in the Prospectus.

## **Exposure on exchange rate fluctuation**

During the period under review, sales and purchases of the Group were denominated mainly either in Hong Kong dollars or U.S. dollars. Due to the currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable and thus no hedging or other alternatives have been implemented by the Group.

## **Information on employees**

At the end of June 2001, the number of full-time employees stood at 80 with a total staff cost for the six months ended 30 June 2001 of approximately HK\$12,451,000. To support the expansion of the Group, such number increased to 133 at the end of June 2002 with a total staff cost of approximately HK\$28,895,000 for the six months ended 30 June 2002. The Group offers a remuneration package and a range of additional benefits to its employees, including pension and medical benefits. In order to motivate quality employees and attract high caliber candidates to join the Group, the Company has adopted a share option scheme.

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2002 and as at 31 December 2001.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

Subsequent to the issue of the Prospectus, the Group has made good progress in its operations, particularly in the following areas:

1. Patent application to the US Patent Office
  - 2 patent applications relating to fertilizers which had previously been issued with Notices of Allowance were granted with patents
  - 2 patent applications relating to pharmaceuticals have been filed and are pending official examination
  - 10 patent applications relating to nutraceuticals have been filed and are pending official examination
2. Expansion of the distribution network

In addition to the two distribution agreements made by the Group with independent third parties covering the markets in Thailand, Myanmar and Australia, the Group has recently achieved another milestone to expand its distribution network for marketing NutriSmart™ by appointing two more distributors: one in the U.S.A. and the other in Malaysia. The distribution network of the Group now spans across three continents.

The Group will continue to follow the objectives and strategies as set down in the Prospectus to pursue its business ventures.

## USE OF PROCEEDS

The shares of the Company have been listed on the GEM of the Stock Exchange since 16 July 2002. The Company currently intends to deposit the funds raised through the share placing and public offer in banks and to invest them in bonds and other appropriate financial instruments to generate interest income for the Company and to apply the said fund later according to the schedule as mentioned under the section of “Use of Proceeds” in the Prospectus.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*The unaudited consolidated results of the Group for the three months and six months respectively ended 30 June 2002 and the comparisons with last year are set out below:*

	Notes	For the		For the	
		three months ended		six months ended	
		30 June		30 June	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	298	—	432	—
Cost of sales		(228)	—	(332)	—
Gross profit		70	—	100	—
Bank interest income		76	4	79	4
		146	4	179	4
Staff cost	4	(15,159)	(6,159)	(28,895)	(12,451)
Depreciation		(4,235)	(1,038)	(7,186)	(2,929)
Amortization of intangible assets		(158)	—	(316)	—
Operating expenses		(7,865)	(3,929)	(13,199)	(6,944)
		(27,417)	(11,126)	(49,596)	(22,324)
Loss before taxation		(27,271)	(11,122)	(49,417)	(22,320)
Taxation	5	—	—	—	—
Loss for the period		(27,271)	(11,122)	(49,417)	(22,320)
Minority interests		49	—	49	—
Loss attributable to shareholders		(27,222)	(11,122)	(49,368)	(22,320)
Dividend	6	—	—	—	—
Loss per share	7				
basic (Hong Kong cents)		0.53 cent	0.22 cent	0.97 cent	0.44 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2002	As at 31 December 2001
	<i>Notes</i>	(unaudited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	211,380	196,895
Intangible assets	9	48,538	35,398
		<u>259,918</u>	<u>232,293</u>
<b>Current assets</b>			
Inventories		3,488	3,321
Debtors and prepayments	10	4,830	3,635
Bank balances and cash		22,049	6,456
		<u>30,367</u>	<u>13,412</u>
<b>Current liabilities</b>			
Creditors and accruals	10	(12,459)	(20,074)
Provision for taxation		(42)	(42)
		<u>(12,501)</u>	<u>(20,116)</u>
<b>Net current assets/(liabilities)</b>		<u>17,866</u>	<u>(6,704)</u>
<b>Total assets less current liabilities</b>		277,784	225,589
<b>Non-current liability</b>			
Amount due to immediate holding company	11	–	(421,014)
		277,784	(195,425)
Minority interests		(419)	–
<b>Total net assets/(liabilities)</b>		<u>277,365</u>	<u>(195,425)</u>
<b>Capital and reserves</b>			
Share capital	12	7	–
Share premium	13	522,151	–
Accumulated losses		(244,793)	(195,425)
<b>Total shareholders' equity</b>		<u>277,365</u>	<u>(195,425)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	<b>Share capital</b> <i>(Note 12)</i>	<b>Share premium</b> <i>(Note 13)</i>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2001</b>				
At 1 January 2001	–	–	(137,491)	(137,491)
Loss for the six months ended 30 June 2001	–	–	(22,320)	(22,320)
<b>At 30 June 2001</b>	<u>–</u>	<u>–</u>	<u>(159,811)</u>	<u>(159,811)</u>
<b>2002</b>				
At 1 January 2002	–	–	(195,425)	(195,425)
Loss for the six months ended 30 June 2002	–	–	(49,368)	(49,368)
Arising from the issuance of shares upon capitalization of loan due to immediate holding company	7	522,151	–	522,158
<b>At 30 June 2002</b>	<u>7</u>	<u>522,151</u>	<u>(244,793)</u>	<u>277,365</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	<b>Six months ended 30 June 2002</b>	<b>Six months ended 30 June 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<b>(52,258)</b>	(17,850)
Net cash used in investing activities	<b>(33,761)</b>	(51,188)
Net cash outflow before financing	<b>(86,019)</b>	(69,038)
Net cash inflow from financing	<b>101,612</b>	74,926
Increase in cash and cash equivalents	<b>15,593</b>	5,888
Cash and cash equivalents at beginning of the period	<b>6,456</b>	398
Cash and cash equivalents at end of the period	<b>22,049</b>	6,286
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b>22,049</b>	6,286

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Group reorganization

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability and its shares have been listed on the GEM of the Stock Exchange since 16 July 2002.

Pursuant to a group reorganization (“the Reorganization”) to rationale the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 13 March 2002. Details of the Reorganization are set out in the Prospectus.

## 2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The results of the Group for the period ended 30 June 2002 and the corresponding financial periods of last year have been prepared on the merger basis as if the current group structure had been in existence throughout the relevant period or since the date of incorporation, whichever is shorter and the Reorganization as disclosed in the Prospectus had been undertaken before 1 July 2002.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the period ended 30 June 2002 are consistent with those followed in the Accountants’ Report as set out in the Prospectus.

## 3. Turnover

Turnover represents sales of NutriSmart™ – a range of environmentally friendly fertilizers. For the six months ended 30 June 2002, the sales of NutriSmart™ to Australia, Thailand, and Myanmar were approximately HK\$225,000, HK\$148,000, and HK\$59,000 with cost of sales amounting to approximately HK\$187,000, HK\$104,000, and HK\$41,000 respectively.

As more than 90% of the operating losses and assets are attributable to the Group’s operating, research and development activities in Hong Kong, no analysis by geographical and business service segments in accordance with SSAP 26 “Segment Reporting” is provided herein.

## 4. Staff cost

Staff cost comprises costs of all the staff in the Group (including salaries, bonuses, pension costs, inducement payments and recruitment costs) but excludes costs of those staff related to development activities as such costs are to be capitalized.

## 5. Taxation

No provision for Hong Kong profit tax was made as there was no assessable profit for the three months and the six months respectively ended 30 June 2002 as well as the corresponding periods of last year.

## 6. Dividend

The Board of the Company has not declared an interim dividend for the six months ended 30 June 2002 (2001: Nil).

## 7. Loss per share

The calculation of the loss per share for the three months ended 30 June 2002 was based on the unaudited loss attributable to shareholders of approximately HK\$27,222,000 (2001: HK\$11,122,000) and assuming 5,100,000,000 shares had been in issue during the period.

The calculation of the loss per share for the six months ended 30 June 2002 was based on the unaudited loss attributable to shareholders of approximately HK\$49,368,000 (2001: HK\$22,320,000) and assuming 5,100,000,000 shares had been in issue during the period.

No diluted loss per share for the three months and six months respectively ended 30 June 2002 and the corresponding periods have been presented because there were no dilutive potential ordinary shares in existence during the periods.

## 8. Property, plant and equipment

	<b>Leasehold land and building</b>	<b>Laboratory instruments, plant and equipment</b>	<b>Office equipment, furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost					
At 1 January 2002	148,643	33,036	28,801	756	211,236
Addition during the period	2,184	19,534	1,908	141	23,767
Disposal	—	—	(6)	—	(6)
<b>At 30 June 2002</b>	<b>150,827</b>	<b>52,570</b>	<b>30,703</b>	<b>897</b>	<b>234,997</b>
Depreciation					
At 1 January 2002	3,193	5,132	5,874	142	14,341
Provided for the period	1,609	4,530	3,060	78	9,277
Eliminated on disposal	—	—	(1)	—	(1)
<b>At 30 June 2002</b>	<b>4,802</b>	<b>9,662</b>	<b>8,933</b>	<b>220</b>	<b>23,617</b>
Net book value					
<b>At 30 June 2002</b>	<b><u>146,025</u></b>	<b><u>42,908</u></b>	<b><u>21,770</u></b>	<b><u>677</u></b>	<b><u>211,380</u></b>
Net book value					
At 31 December 2001	<u>145,450</u>	<u>27,904</u>	<u>22,927</u>	<u>614</u>	<u>196,895</u>

## 9. Intangible assets

	<b>Development cost</b>	<b>Patents</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost			
At 1 January 2002	32,004	3,447	35,451
Addition during the period	12,417	1,039	13,456
<b>At 30 June 2002</b>	<b>44,421</b>	<b>4,486</b>	<b>48,907</b>
Amortization			
At 1 January 2002	43	10	53
Provided for the period	257	59	316
<b>At 30 June 2002</b>	<b>300</b>	<b>69</b>	<b>369</b>
Net book value			
<b>At 30 June 2002</b>	<b>44,121</b>	<b>4,417</b>	<b>48,538</b>
Net book value			
At 31 December 2001	31,961	3,437	35,398

## 10. Debtors and creditors

The Group has a policy of allowing an average credit period of 90 days to its customers. Aging analyses of trade debtors and trade creditors are as follows:

	<b>At 30 June 2002</b>	<b>At 31 December 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Trade debtors:</u>		
Aged 0 to 90 days	<u>367</u>	<u>148</u>
<u>Trade creditors:</u>		
Aged 0 to 90 days	<u>—</u>	<u>158</u>

## 11. Amount due to immediate holding company

The amount due to immediate holding company was unsecured, interest free and with no fixed repayment term. On 17 June 2002, the amount was assigned to the immediate holding company's shareholders and thereafter was fully capitalized.

## 12. Share capital

	<b>Number of shares of HK\$ 0.10 each</b>	<b>Nominal value <i>HK\$'000</i></b>
Authorized	<u>15,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid	<u>70,000</u>	<u>7</u>

The changes in the Company's authorized and issued share capital during the period from 10 August 2001 (date of incorporation) to 30 June 2002 are detailed below:

1. As at the date of incorporation of the Company, its authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each and 1 share was allotted and issued at par.
2. On 22 April 2002, the following changes took place:
  - the Company re-denominated and increased its authorized share capital from US\$50,000 to an aggregate of (a) US\$50,000 and (b) HK\$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK\$0.10 each;
  - 78 new shares of HK\$0.10 each were issued for cash at par. The 1 share of US\$1.00 previously in issue was repurchased by the Company at a price equal to the proceeds of the issue of the 78 shares;
  - the authorized but unissued share capital of the Company was reduced by the cancellation of all the authorized 50,000 shares of US\$1.00 each; and
  - additional 22 new shares of HK\$0.10 each were issued for cash at par.
3. On 14 June 2002, the authorized capital of the Company was increased from HK\$1,000,000,000 to HK\$1,500,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.10 each.
4. On 17 June 2002, upon capitalization of the shareholders' loans of approximately HK\$522,158,000, an aggregate of 69,900 new shares of HK\$0.10 each were issued at a premium of approximately HK\$522,151,000.

## 13. Share premium

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	–	–
Issue of shares upon capitalization of shareholders' loans on 17 June 2002	<u>522,151</u>	–
At 30 June	<u>522,151</u>	–

## 14. Subsequent events

Subsequent to 30 June 2002, the share capital of the Company was changed as follows in connection with the listing of the Company's shares on the GEM of the Stock Exchange on 16 July, 2002:

- a sum of HK\$509,993,000 was capitalized from the amount standing to the credit of the share premium account and the said sum was applied in paying up 5,099,930,000 shares of HK\$0.10 each in full at par.
- the Company issued a total of 1,307,000,000 shares of HK\$0.10 each at HK\$2.00 per share by way of placing and public offer.

## DIRECTORS' INTERESTS

As the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002, the Company was not required to keep a register under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 30 June 2002.

Immediately upon the listing of the Company, the interests of the Directors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Name of Directors	Number of Ordinary Shares of the Company				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Li Tzar Kuoi, Victor	1,500,000	–	–	2,820,008,571 <i>(Note 1)</i>	2,821,508,571
Kam Hing Lam	–	4,150,000	–	–	4,150,000
Ip Tak Chuen, Edmond	1,500,000	–	–	–	1,500,000
Yu Ying Choi, Alan Abel	1,500,000	–	–	–	1,500,000
Pang Shiu Fun	1,500,000	–	–	–	1,500,000
Chu Kee Hung	1,500,000	–	–	–	1,500,000
Lam Hing Chau, Leon	1,250,000	–	–	–	1,250,000
Kwan Chiu Yin, Robert	–	–	500,000 <i>(Note 2)</i>	–	500,000
Peter Peace Tulloch	500,000	–	–	–	500,000
Wong Yue-chim, Richard	250,000	–	–	–	250,000
Kwok Eva Lee	200,000	–	–	–	200,000

### Notes:

1. Such 2,820,008,571 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). 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 Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, 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 Cheung Kong Holdings and thus is taken to be interested in those 2,820,008,571 shares held by the subsidiary of Cheung Kong Holdings under the SDI Ordinance.

2. Such shares are held by a company owned by Mr. Kwan Chiu Yin, Robert.

Save as disclosed above, none of the Directors and their respective associates had, following the listing of the Company, any interests in the shares or debentures of the Company and its associated corporations, if any, as recorded in the register under Section 29 of the SDI Ordinance.

## **SUBSTANTIAL SHAREHOLDERS**

As the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002, the Company was not required to keep a register under Section 16(1) of the SDI Ordinance as at 30 June 2002.

Immediately upon the listing of the Company, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors:

<b>Name</b>	<b>Number of Ordinary Shares</b>
Gold Rainbow Int'l Limited	2,820,008,571
Gotak Limited	2,820,008,571 (Note i)
Cheung Kong (Holdings) Limited	2,820,008,571 (Note ii)
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	2,820,008,571 (Note iii)
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	2,820,008,571 (Note iii)
Li Ka-Shing Unity Holdings Limited	2,820,008,571 (Note iii)
Trueway International Limited	1,410,004,286
Tangiers Enterprises Limited	1,880,005,715 (Note iv)
Mr. Li Ka-shing	4,700,014,286 (Note v)

### *Notes:*

- i. This represents the same block of shares in the Company 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 SDI Ordinance.
- ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SDI Ordinance.
- 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 Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The

- Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. More than one-third of the issued share capital of TUT and of the trustees of the discretionary trusts mentioned above are owned by Li Ka-Shing Unity Holdings Limited. Under the SDI Ordinance, each of TUT as trustee of the LKS Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Holdings Limited is deemed to be interested in the same block of shares as Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.
- iv. Trueway International Limited (“Trueway”) is 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 SDI Ordinance, being the aggregate of the shares in which Trueway was interested as shown against the name Trueway above and the 470,001,429 shares held by Triluck Assets Limited (another company wholly-owned by Tangiers).
- v. This represents the aggregate of the blocks of shares in the Company in which Tangiers and Cheung Kong Holdings are respectively deemed to be interested under the SDI Ordinance. As Mr. Li Ka-shing owns more than one-third of the issued share capital of Tangiers and Li Ka-Shing Unity Holdings Limited, under the SDI Ordinance Mr. Li Ka-shing is deemed to be interested in the same number of shares in which both Tangiers and Cheung Kong Holdings are deemed to be interested as mentioned above.

## **DETAILS OF OPTIONS GRANTED BY THE COMPANY**

The Company has adopted a share option scheme (the “Share Option 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 Share Option Scheme.

As at the date of this report, no option has been granted or agreed to be granted to any Directors or employees of the Company or its subsidiaries or any other persons under the Share Option Scheme.

## **COMPETING INTERESTS**

Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond, the Chairman, the President and Chief Executive Officer, and the Senior Vice President and Chief Investment Officer, of the Company respectively, are the Deputy Chairman, the Deputy Managing Director and an Executive Director of Cheung Kong (Holdings) Limited respectively and each also holds directorships in certain of its associates as defined in the GEM Listing Rules (the “Associates”) (collectively referred to as “Cheung Kong Group”). Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam are also the Deputy Chairman and an Executive Director of Hutchison Whampoa Limited respectively and each also holds directorships in certain of its Associates (collectively referred to as “Hutchison Group”). Both Cheung Kong Group and Hutchison Group engage in a wide range of businesses and investments which include, inter alia, the manufacturing and/or sale of water and beverages, health and beauty products and pharmaceutical products that may compete with the Group’s nutraceutical, dermatological and pharmaceutical products. Details of the potential competition are set out in the Prospectus. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Save as disclosed above, none of the Directors, the management shareholders of the Company or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

## **SPONSOR'S INTERESTS**

Pursuant to a sponsor's agreement dated 3 July 2002 between the Company and Salomon Smith Barney Hong Kong Limited ("SSB"), SSB has been appointed as a sponsor to the Company as required under the GEM Listing Rules at a fee from 16 July 2002 to 31 December 2004.

As notified to the Company by SSB, as at 30 June 2002, neither SSB, its directors, employees nor their associates had any interests in any securities of the Company or any of its associated corporations.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two Independent Non-executive Directors of the Company, namely Mrs. Kwok Eva Lee and Mr. Wong Yue-chim, Richard who is the Chairman of such committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company.

The audit committee has already reviewed the Group's unaudited condensed financial statements for the six months ended 30 June 2002.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

On 22 April 2002, the one share of US\$1.00 par value was repurchased by the Company at a price equal to the proceeds of the issue of 78 new shares of HK\$0.10 each.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period from 1 January 2002 to the date of this report.