



**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 )

Restoring Freshness to Nature  
Bringing Quality to Life

2003  
Annual Report

## Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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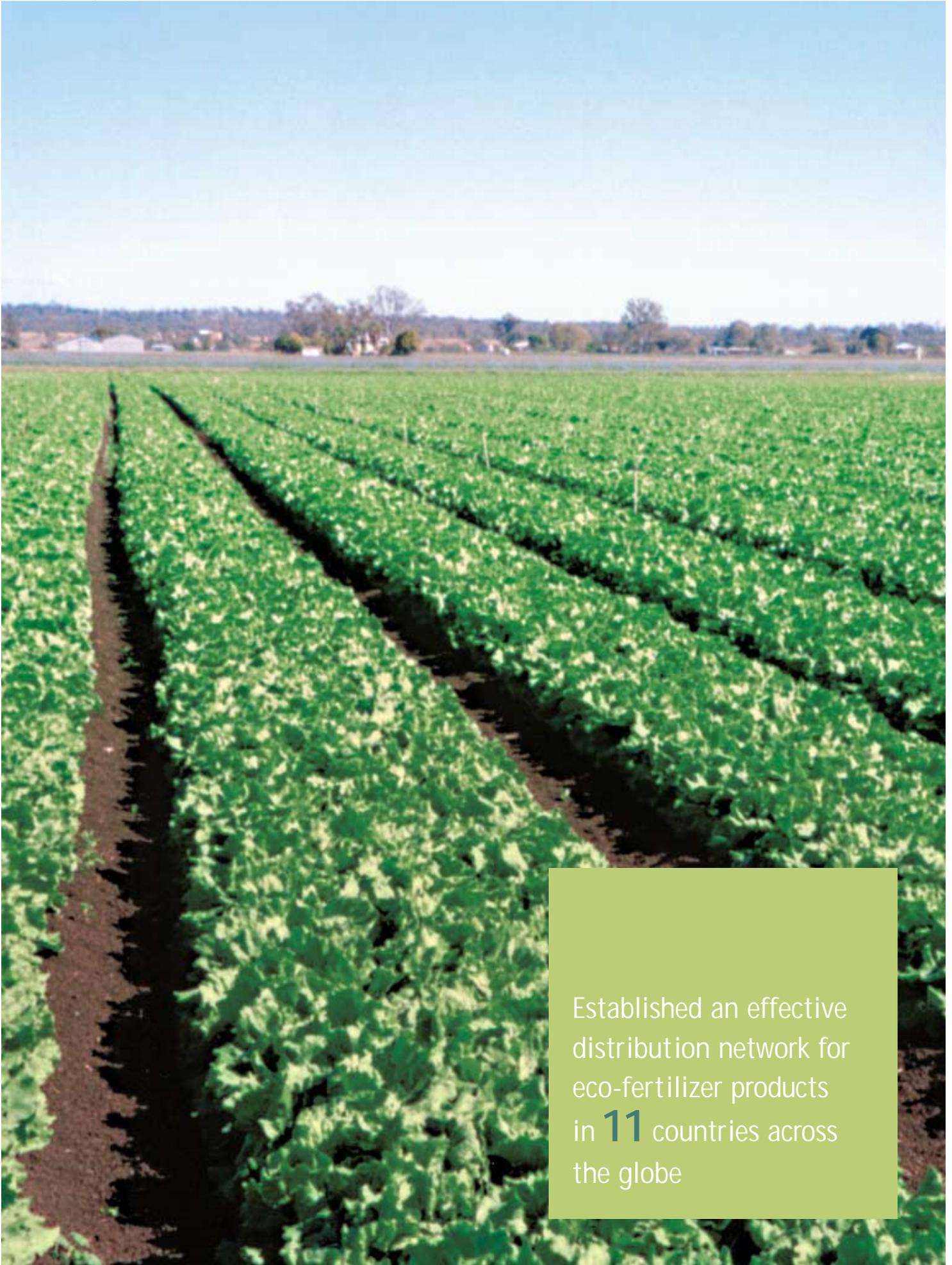
*This document, for which the Directors of CK Life Sciences Int'l., (Holdings) Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 document 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 document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# Contents

Company Highlights 2	Year in Review 2003 8	Chairman's Statement 12	Product Chart 16
Operations Review 18	Directors and Senior Management 26	Financial Summary 32	Financial Review 33
Report of the Directors 35	Report of the Auditors 52	Consolidated Income Statement 53	Balance Sheet 54
Consolidated Statement of Changes in Equity 55	Consolidated Cash Flow Statement 56	Notes to Financial Statements 57	Principal Subsidiaries 77
Associated Companies 78	Comparison of Business Objectives with Actual Business Progress; Use of Proceeds 79	Notice of Annual General Meeting 82	Corporate Information 84



CK Life Sciences was selected as one of 30 global "2004 Technology Pioneers" by the World Economic Forum



Established an effective distribution network for eco-fertilizer products in **11** countries across the globe



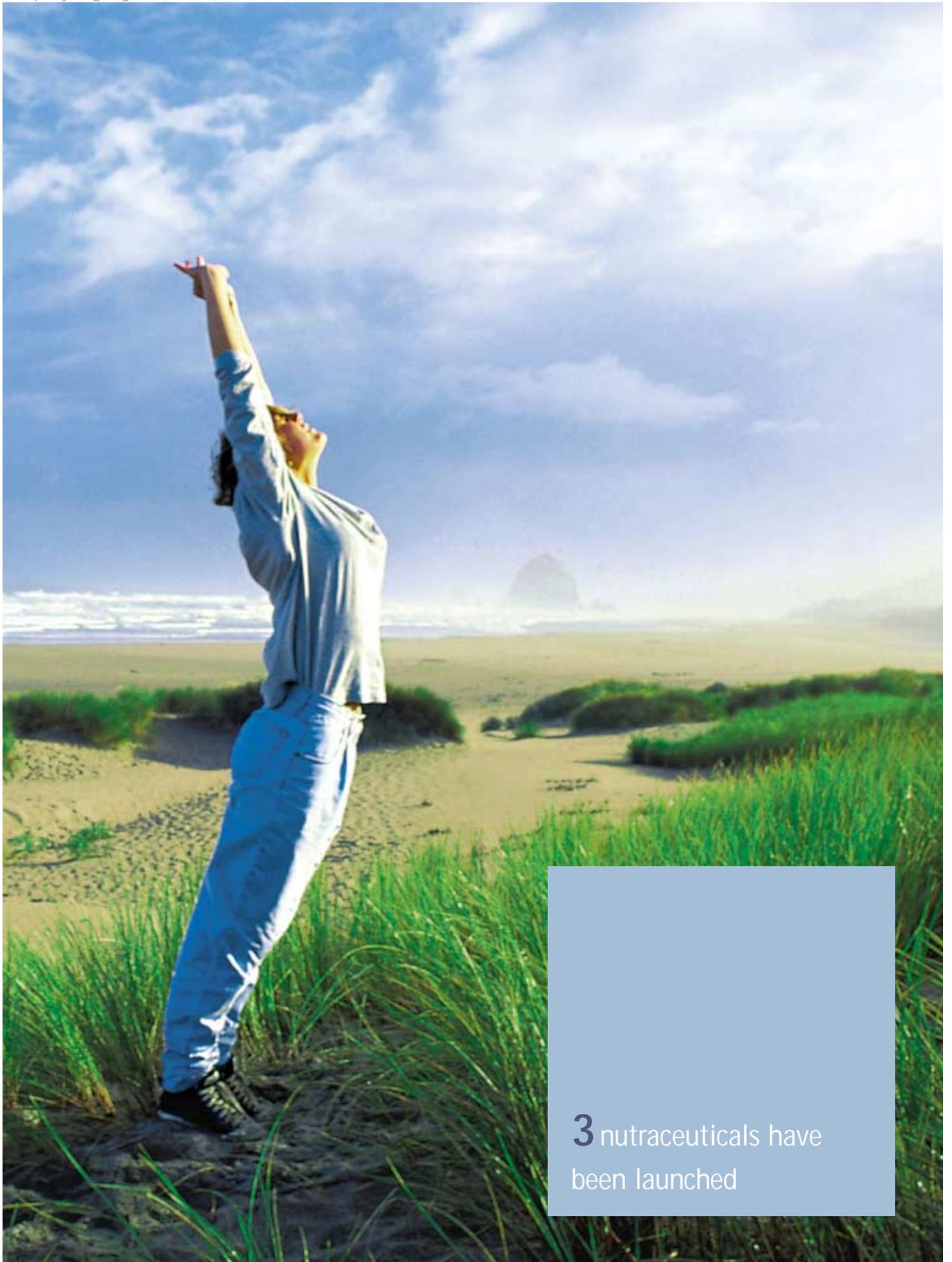
**11** patents and **6** notices of allowance for eco-fertilizers, bioremediation products and nutraceuticals have been granted by the US Patent and Trademark Office



**52** products are at patent pending stage, including 18 cancer products



The Group's AIDS  
product is on trial across  
**3** continents



**3** nutraceuticals have  
been launched

# JAN



CK Life Sciences was the major sponsor for the AIDS Charity Walk held on 5 January and 7 December 2003.

A joint venture was formed with Nanjing Red Sun to expand the eco-fertilizer distribution network into China.

# FEB



2 Asian export markets — the Philippines and Korea — were added for NutriSmart™.

# APR



NutriSmart™ 's application was extended to the production of Traditional Chinese Medicine as a joint field trial with the University of Hong Kong on Lycium- growing was rolled out.



LidoChem was appointed as the second NutriSmart™ distributor in the US.

# MAY



A series of seminars on “Immunity and Health” hosted by Professor S F Pang, Chief Technology Officer, was broadcast on TVB and Metro Radio during the SARS outbreak period to highlight the importance of immunity in health.



Jardine Davies was appointed as the exclusive distributor of NutriSmart™ in the Philippines.

VitaGain™ Immune Enhancement Oral Liquid was provided to frontline medical practitioners and staff of the Cheung Kong Group during the SARS epidemic. The product was subsequently launched in Hong Kong and a favourable response received.



# JUN

A media visit to the Sustainable Agriculture Experimental Farm was organized; the Farm's NutriSmart™ fertilized crops all recorded good harvests.



# JUL



A joint AIDS research project commenced at Partners AIDS Research Center at the Massachusetts General Hospital, the largest teaching hospital of Harvard Medical School.

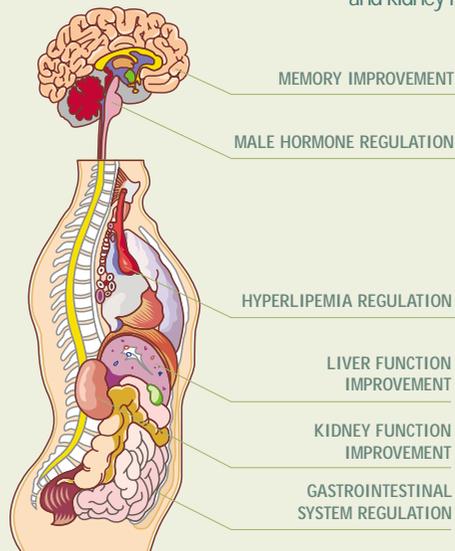
# AUG



In-vitro and in-vivo pre-clinical studies on CK Life Sciences' anti-cancer product conducted in conjunction with the Chinese University of Hong Kong demonstrated encouraging results. 18 anti-cancer product patent applications were submitted.

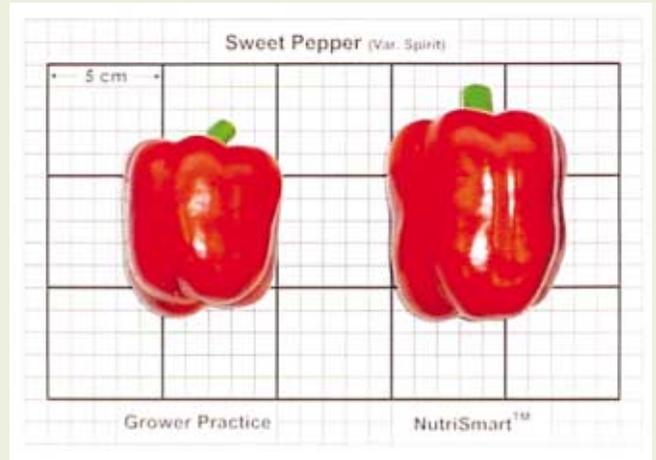
# OCT

Patent applications were submitted for the Group's nutraceuticals. Notices of allowance were received for dietary supplements for hyperlipemia, gastro-intestinal problems, male hormone regulation, memory, as well as liver and kidney function improvement.



# NOV

Improvement in yield, size and weight of NutriSmart™ fertilized tomatoes and sweet peppers was recorded in studies conducted by the Agriculture, Fisheries and Conservation Department of HKSAR.



# DEC

Research study conducted in conjunction with the Hong Kong University of Science and Technology for the efficacy of CK Life Sciences' anti-cancer products commenced. The first pharmacogenomic and pharmacogenetic breast and prostate cancer database for Chinese people was set up.



VitaGain™ Nasal Allergy Relief was launched and market response was good.



# Opportunities Abound, Growth Robust

I am pleased to report that encouraging progress has been achieved during the year by CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries ("CK Life Sciences" or "the Group") and profits were generated.

The Group reported a yearly turnover of HK\$27,563,000 in 2003, an increase of 457% over last year, and profit attributable to shareholders amounted to HK\$928,000. Listed in July 2002 and achieving profitability in 2003, the Group's turnover and profit are increasing steadily while active initiatives are made to accelerate the pace of R&D and product development.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2003.

## Financial Performance

HK\$'000	Quarterly Results		Yearly Results	
	Q4 of 2003	Q4 of 2002	2003	2002
Turnover	7,940	3,060	27,563	4,948
Profit/(Loss) attributable to shareholders	197	(28,448)	928	(88,895)



LI TZAR KUOI, VICTOR  
Chairman

## Review and Outlook

### Business Progress

For CK Life Sciences, 2003 was a year characterized by germination. Breakthroughs were made in business development as well as R&D. A solid foundation has been established and opportunities are looming on all fronts. In the coming year, the Group will continue to excel and grow.

### *Eco-fertilizer Product Series – Surge in Sales; Rapid Business Expansion*

- 4 patents and 1 notice of allowance for the Group's eco-fertilizer series, marketed under the NutriSmart™ brand, have been granted by the US Patent and Trademark Office, and 1 patent application is at the patent pending stage;
- The Group has established a global distribution network spanning 11 countries, and about 4-fold increase in turnover was recorded in 2003 over 2002;
- The Group has further made footholds in Mainland China, the largest fertilizer market in the world. A partnership with **Nanjing Red Sun Co Ltd** has been formed to acquire a distribution network covering the entire Jiangsu province, as well as to set up a production facility. This move will further strengthen the Group's distribution network in Mainland China and enable rapid increase in fertilizer sales;
- NutriSmart™ performed well in many places around the globe. Cases such as applications in sugarcane in Australia, rice in the Philippines, sweet pepper in South Korea, oil palm in Malaysia, and turf in the United States have shown remarkable performance. The Group will continue to develop new markets

for NutriSmart™ and widen its application: such moves include conducting trials for traditional Chinese medicine Lycium (Chinese Wolfberry) and orchids;

- In the coming year, the Group plans to begin local manufacturing in different strategic markets around the world. This would allow production quantity and formula to be flexibly adjusted according to the distribution network's expansion needs. It is anticipated that such a strategy will lower operating costs, enhance customer service, and improve revenue.

### *Bioremediation Product Series – Remarkable Performance; Favourable Position Established*

- 5 patents for WonderTreat™, the Group's bioremediation series of solutions, were granted by the US Patent and Trademark Office, and 3 are at the patent pending stage;
- A series of trials carried out in Mainland China, Australia and the United States recorded satisfactory results, and remarkable performance was recorded in the treatment of pig and chicken manure as well as municipal wastewater;
- Pre-launch work has been completed and promotions will be carried out in 2004 to roll out WonderTreat™ in the market. Plans are in place to further expand the scope of the trial programme, and preparation for sales activities is underway. It is envisaged that WonderTreat™ will become another mainstream product series of CK Life Sciences.

### *Nutraceutical Product Series – Market Positioning Set; Full Force Launch Planned*

- The Group filed patent applications for 10 nutraceutical products last year. To date, 2 patents and 5 notices of allowance have been received and 3 patent applications are at the patent pending stage;
- In 2003, the Group launched two new immunity enhancing products in the VitaGain™ series: “Pre-Cold & Flu Formula” and “Nasal Allergy Relief”. Extensive promotional campaigns were staged to coincide with the launches;
- “VitaGain™ For Daily Immunity” was launched in early 2004 and more products in the VitaGain™ series will be rolled out in the near future. Overseas markets will also be developed.

### *Research and Development Progress*

The Group is committed to conducting research and development on biotechnology products which can improve the quality of life. The areas on which CK Life Sciences focuses are environmental sustainability and human health. For environmental products that have already been introduced to the market, the Group will continue to carry out research to extend the applications. For human health products, the Group will continue to conduct research studies with academic institutions around the world based on its immunity enhancement R&D platform. The results of a series of studies have demonstrated that the Group's products have the capability of enhancing the immunity of healthy individuals as well as those who are suffering from sickness. These studies include those conducted in collaboration with **Harvard Medical School** in the United States and **The Chinese University of Hong Kong**. The products were effective in modulating the immune response in white blood cells of humans and animals. These prominent results have marked a new milestone in R&D and laid a strong foundation for the Group's stature as an immunity expert. Based on the premise that immunity improves health, the Group will continue to undertake extensive and dedicated initiatives to accelerate the pace of research and development on its human health-related products.

The number of cancer and AIDS cases is increasing globally and satisfactory treatments are yet to be developed. The Group has conducted extensive research studies targeting these two brutal diseases, and breakthrough progress has been registered.

### *Cancer Research Extended Globally*

- Research and development on the Group's cancer products is progressing rapidly. The 18 anti-cancer product patent applications submitted last year are currently at the patent pending stage;
- A series of studies and trials for the cancer products has been conducted with **China Cancer Research Foundation, The Chinese Academy of Medical Sciences Cancer Institute and Hospital, The Chinese University of Hong Kong, and The University of Hong Kong**. Results indicate that the products can inhibit the proliferation of primary cancer cells, alleviate symptoms, improve patients' quality of life, stimulate immune cells and reduce tumor size and weight;
- At present, preparations are being made together with **The Chinese University of Hong Kong** to conduct clinical trials for liver cancer, lung cancer, and colorectal cancer patients. The Group has also joined forces with **The Hong Kong University of Science and Technology** to study the efficacy of the products for breast and prostate cancer. The collaborative study also aims to establish the first-ever pharmacogenomic and pharmacogenetic database for Chinese prostate and breast cancer patients. A global trial programme, spanning six regions in four continents, is already underway to accelerate R&D;
- Research partners of the Group are all renowned institutions. Such collaboration helps to further strengthen the scientific capabilities of the Group and accelerate the commercialization process.

### *Initial AIDS Research Results Encouraging*

- The HIV/AIDS product developed by the Group is at the patent pending stage, and the first stage of the joint research studies conducted with the **Partners AIDS Research Center at Massachusetts General Hospital of Harvard Medical School** in the United States, **Peking Union Medical College Hospital** and **Beijing You An Hospital** have been completed. Results have indicated the product's efficacy.
- The Group is presently conducting clinical trials with **Swinburne University** and **Macfarlane Burnet Research Institute** in Australia, and more research studies are expected.

## The current status of the Group's patent applications

	Eco-agriculture		Bio-remediation	Nutra-ceuticals	Pharma-ceuticals	Dermato-logicals	Total
	Eco-fertilizer	Animal Feed Additive					
Patent Granted	4	–	5	2	–	–	11
Notice of Allowance Received	1	–	–	5	–	–	6
Patent Pending	1	14	3	3	31	–	52
Drafting Stage	4	4	7	–	19	5	39
<b>Total</b>	<b>10</b>	<b>18</b>	<b>15</b>	<b>10</b>	<b>50</b>	<b>5</b>	<b>108</b>

### Patent Portfolio

The Group has made great strides in patent application. As of today, we have received 11 patents (4 of which are for eco-fertilizer products, 5 for bioremediation products, and 2 for nutraceuticals), and 6 notices of allowance. 52 applications are at the patent pending stage. This strong patent portfolio constitutes a good barometer for the Group's R&D achievements.

### Prospects

Cancer and AIDS continue to stalk the world. The outbreak of SARS in 2003 has caused numerous tragedies. During this unsettled year, the Group made exciting progress. The eco-fertilizer business has extended its geographical reach, nutraceutical products were launched one by one, and breakthroughs in environmental and human health-related R&D were made. After a year of hard work, the seeds of our endeavour have begun to germinate, bringing the Group to a new milestone in its progress.

Since its listing in July 2002, the Group has grown incessantly and steady profits have been recorded. This is attributable to the solid financial foundation which provides sufficient resources for continual expansion as well as ample funding for research and development, accelerating the pace for R&D.

Currently, the call for environmental protection is intensive and the Group's eco-fertilizer and bioremediation products are in high demand. At the same time, lethal infectious diseases continue to break out. General awareness towards health has increased and market demand for nutraceutical products is big. It is expected

that more business breakthroughs will be achieved by the Group shortly. In 2004, CK Life Sciences will focus on making more acquisitions, launching more products, as well as lining up more research collaborations.

Careful planning and past activities have laid a strong foundation for the Group. Against the background of a favourable market environment and abundant business opportunities, robust growth is expected.

### Acknowledgements

The Group has developed rapidly and a number of awards and marks of recognition have been received since listing. Recently, the **World Economic Forum** has selected CK Life Sciences as one of the 30 global "Technology Pioneers" for 2004, giving international recognition to the Group's R&D achievements and affirming the Group's status as a world class technology company. Such satisfactory achievements would not have come into fruition without the hard work and efforts of the Directors on the Board, the management team and staff as well as long term support from our business partners; for this, I would like to express my appreciation. I would also like to thank our shareholders for their support and confidence in the Group.

### LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 9 March 2004



# Environment

Products for the Environment

The contamination of soil, fresh water and natural resources throughout the world has reached an alarming point. Scientists, government leaders and environmental groups across the globe are seeking solutions that can stop environmental degradation and help clean up pollution. The need for sustainable development has created abundant business opportunities. The quest remains to develop win-win solutions that benefit not only the environment, but also improve the quality of life for consumers and generate revenue for businesses. CK Life Sciences has achieved this through the development of a range of products that are cost efficient, revenue generating, as well as environmentally friendly.

## Eco-Agriculture

Eco-fertilizers:  
NutriSmart™ product series

Animal Feed Additives:  
AgiPro™ product series

## Bioremediation

WonderTreat™ product series



# Health

Products for Health

Despite advance progress made in the medical field, there are still many treatment solutions which are not totally desirable. Some cause side effects which add to the pain and suffering of patients; some lead to virus resistance, making treatments more difficult. Globally, medical researchers are investigating the possibilities of using biotechnology to develop solutions that can address critical health issues and improve the quality of life for patients.

Based on its immunity enhancement R&D platform, CK Life Sciences has developed a range of products aimed at boosting the immune system of generally healthy persons to meet the challenges of everyday life. Products targeting critical illnesses such as AIDS and cancer, with an aim to stimulate patients' immune systems to fight against the diseases, are also being developed. In today's increasingly polluted environment, maintaining optimum immunity is a way to good health. It is our belief that a healthy body is the pre-requisite for a good quality of life.

## Nutraceuticals

VitaGain™ product series

## Pharmaceuticals

## Dermatologicals



NutriSmart™'s technological superiority has again been affirmed with the presentation of the Golden Rim Award.

# Eco-fertilizer

NutriSmart™ is an environmentally friendly fertilizer developed by CK Life Sciences. Although NutriSmart™ contains no soluble nitrogen (“N”), phosphorous (“P”) or potassium (“K”), the specially treated yeast strains within NutriSmart™ are capable of fixing N from the air, decomposing rock phosphate into P, and breaking down K from soil into an easily absorbable form when they are in contact with the roots of plants, and in response to the plants’ need for nutrients. NutriSmart™ possesses the following benefits: (i) environmentally friendly; (ii) protects and improves soil condition; and (iii) improves quality and quantity of produce.

There are 10 products in the NutriSmart™ series; 4 of which have been granted patents from the US Patent and Trademark Office, 1 notice of allowance has been received; 1 at patent pending stage; and the remainder at drafting stage.

## Business Progress

The Group’s fertilizer business experienced steady growth and encouraging development in 2003, with sales recorded in 11 countries. South Korea and Vietnam are our latest additions and keen interest towards NutriSmart™ have been expressed from distributors and growers in these markets.

During the year, studies conducted with worldwide leading agriculture research institutes and farming communities have shown very positive results. These include sugar cane in Australia, rice in the Philippines, sweet pepper in South Korea, palm in Malaysia and turf in the US.

Since winning of the *Far Eastern Economic Review* Asian Innovation Bronze Award in 2002, NutriSmart™’s technological superiority has again been affirmed with the presentation of the Golden Rim Award in early 2004.

## China

According to a study by the International Fertilizer Industry Association, China is the world’s largest fertilizer market.

It has a market size of HK\$85 billion and represents one quarter of the global fertilizer market. In 2003, the Group formed a joint venture with Nanjing Red Sun Co Ltd (“Red Sun”), a leading group of companies engaged in the production, sales and distribution of agricultural products in China, to promote and distribute eco-fertilizer products in eastern, central and southern China. Sales of NutriSmart™ in these markets are growing steadily.

The relationship with Red Sun was further strengthened in early 2004 with the establishment of two cooperation initiatives. The first involves the acquisition of a vast distribution network of over 470 associated and licensed sales/distribution points covering the entire Jiangsu province. The second calls for the development of a production facility in downstream Yangtze River. These moves were made with an aim of leapfrogging fertilizer sales in 2004.

## United States

The Group made steady progress in increasing NutriSmart™’s market share in the US market with the appointment of Lidochem Inc. as the Group’s second distributor. With Wilbur Ellis driving sales on the West Coast and Lidochem focusing on market development on the East Coast, the



Group has established a strong foothold in this major fertilizer market.

Estimated to be worth 18% of global fertilizer sales, the US market offers great opportunities for the Group's eco-fertilizer business, especially in the high value-added segments such as organic agriculture and golf courses.

### Australia

Australia has a market size of approximately A\$2 billion in terms of fertilizer consumption. With its valuable natural heritage, especially the Great Barrier Reef, under tremendous threat from the over-use of chemical products in agricultural production and industries in the coastal areas, the country has started its quest for an effective way to alleviate pollution. This poses great opportunity for NutriSmart™ as our eco-fertilizer products are environmentally friendly and produce yields similar, if not better than conventional chemical fertilizers. The increasing demand will greatly facilitate promotional work carried out by the local sales team.

In 2003, sales offices were set up in Brisbane, Melbourne and Adelaide and encouraging progress has been made in promoting NutriSmart™ as an effective way to tackle the environmental problem. Discussions are being held with statewide and national organizations such as Queensland Fruit and Vegetable Growers Association, Biological Farmers of Australia and CANEGROWERS Association to further promote NutriSmart™ in the country.

### Asia

Enhanced partnerships, widened distribution and steady sales growth characterized the Group's progress in developing the fertilizer business in Asia. Jardine Davies was appointed to develop the market in the Philippines,

especially in the banana and rice segments where NutriSmart™ has been considered advantageous in regard to productivity and cost saving. In Indonesia, through cooperation with PUSRI, one of the largest fertilizer manufacturers and distributors in the country, encouraging progress in sales was made.

As a staple commodity, rice is one of the most important crops in Asia. In 2003, a number of field studies in key markets have demonstrated that NutriSmart™ not only reduces the use of chemical fertilizers, but presents cost savings and productivity when used for rice growing.

### Looking Forward

In 2003, the Group identified a number of new crop opportunities for NutriSmart™ in different countries with an aim of developing new markets. Firm positioning in key markets has been established and it is expected that the growth trend will continue in 2004.

In China, the Group will capitalize on the distribution network created by the joint venture with Red Sun and the development of a new production facility to expand further in this sizeable market.

In the US, the Group will actively pursue the golf course and sports ground turf markets as well as carry out extensive promotions in the organic agriculture sector.

In Australia, NutriSmart™ has already demonstrated its strong performance in horticulture and sugar cane, and the Group is planning to expand into local production in the near future.

Efforts will continue to be made to further develop existing markets in Asia and explore new market opportunities such as South Korea and Vietnam.



The effectiveness of the WonderTreat™ series has been demonstrated in the treatment of animal waste and waste water in a number of countries, including China, Malaysia, United Arab Emirates, Australia and US.

# Bioremediation

Composed of a host of yeast strains processed by CK Life Sciences, WonderTreat™ effectively removes nitrogen, phosphorus and odours, degrades environmental toxins and polymeric compounds, and suppresses algae and pathogen growth. The WonderTreat™ product series feature solutions for wastewater treatment plants as well as for treatment of solid waste. They are as efficient as current solutions and are more environmentally friendly and cost effective.

## Market Development Progress

In 2003, several successful trials which confirmed the efficacy of WonderTreat™ were staged in five countries. To date, there are 15 solutions in the WonderTreat™ product range; 5 of which have been granted patents by the US Patent and Trademark Office and another 3 are at patent pending stage.

### China

The successful trial of WonderTreat™ in Shijiazhuang, China for the removal of odour and the acceleration of composting chicken manure into fertilizer has initiated a base for sales development. Further trials have been extended to other provinces.

### Australia

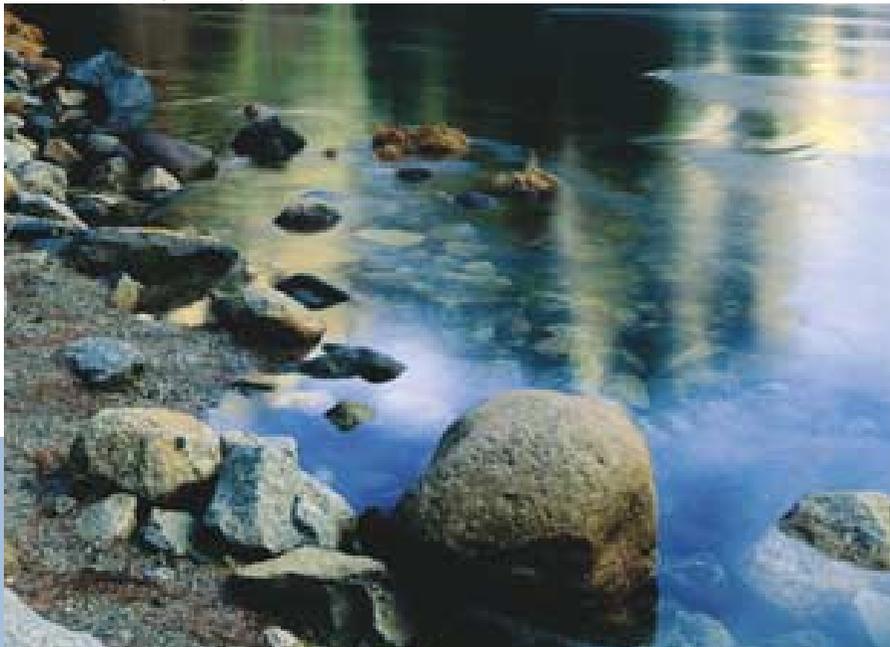
In South Australia, a trial for the treatment of municipal sewage, in collaboration with the largest privately-owned water company in Australia and New Zealand, was completed with satisfactory results. A series of successful testing programmes have also been conducted for piggery and chicken waste treatment and trial programmes for composting and sewage treatment for canneries and wineries are being carried out. During the year, the application portfolio has been expanded and market recognition strengthened.

### North America

Promotion of the WonderTreat™ product series in the US commenced in 2003, and a series of pre-sale trials on poultry litter treatment and composting were staged in the states of Ohio and Arkansas. Early results have elicited a positive response from potential customers and partners.

### Other Regions

In 2003, an application programme was rolled out in other parts of the world. A study to verify the product's efficacy in treating municipal solid waste and composting was carried out in Abu Dhabi in the United Arab Emirates. Initial results were satisfactory. In addition, in collaboration with an organic fertilizer company, a chicken manure composting project has commenced in Malaysia.



## Looking Forward

The effectiveness of the WonderTreat™ series has been demonstrated in the treatment of animal waste and waste water in a number of countries. In the coming year, the Group will work towards widening the application scope, and further raise awareness for the product.

In China, the Group has mapped out a sales plan spanning a number of provinces, including Hebei, Jiangsu, Shandong, Guangdong and Jilin. Initial promotion will be launched for animal manure treatment and composting.

In Australia, discussions with local companies are in progress, and partnerships are to be established to accelerate sales and market penetration.

Plans have been made to appoint a US distributor for the WonderTreat™ product series in 2004 and more efficacy trials will also be undertaken.

Marketing activities for WonderTreat™ will continue to be launched and it is expected that WonderTreat™ will very soon become another mainstream product series of the Group.



Enhancing immunity for the prevention of diseases has become a mainstream concept and CK Life Sciences' immunity R&D complements the present market need.

# Nutraceuticals

Immunity and health are closely related; a healthy immune system reduces the chance of contracting diseases. Among the various research faculties, CK Life Sciences has selected immunity as a main research focus to accomplish our mission of enhancing human health. Based on the Group's immune enhancement R&D platform, a number of research studies have been conducted, and a series of nutraceutical products for modulating and enhancing the immunity system have been developed. Branded VitaGain™, these products aim to counteract challenges posed by diseases through the activation of the immune system so that the body can resume normal function, decreasing the chances of contracting disease.

## Immunity Research as Platform

The Group has allocated substantial resources to conduct studies on how to regulate the immune system. So far, results have been very encouraging and theory and practice affirmed:

### 1. Patent Status

Of the 10 nutraceutical products that have been developed, 2 have been granted patents by the US Patent and Trademark Office, 5 have received notices of allowance, and the other 3 are at patent pending stage.

The rapid progress in patent applications demonstrates the innovativeness of the Group's R&D platform and recognition of the theory by authoritative bodies. The immunity arena explored by the Group poses great development potential.

### 2. Encouraging Trial Results

In the past two years, the Group has collaborated with many internationally renowned institutes, such as the Massachusetts General Hospital/Harvard Medical School in the US, the Chinese University of Hong Kong and the Peking Union Medical College in China, to conduct various immunity research projects to support and affirm our research hypothesis.

A number of in-vitro and in-vivo studies have demonstrated the effectiveness of the Group's inventions in the white blood cells of both humans and animals in regard to immuno-modulation. The results showed that CK Life Sciences' products are able to increase certain cytokine secretions by human immune cells and the phagocytic activity in animals. These encouraging results have laid a strong foundation for the Group's stature in the immunology field.



### 3. A Series of Nutraceuticals Developed

Based on our immunity R&D platform, CK Life Sciences has developed two major types of nutraceutical products. One involves those which help healthy individuals meet the challenges of everyday life and decrease the chances of infection. VitaGain™ for Daily Immunity is one such product.

The other type aims at addressing specific ailments. VitaGain™ Pre-Cold & Flu Immune Enhancement Formula and VitaGain™ Nasal Allergy Relief launched in 2003 belong to this category. Other products include those that address hyperlipidemia, memory enhancement, male health, kidney function, liver function, hypertension, central nervous system and anti-aging.

### Looking Forward

CK Life Sciences has identified immunity research as a main research focus. Currently a host of data has indicated that the Group has mastered substantial knowledge and skill in enhancing immunity. This achievement is particularly important and valuable at times when different epidemics affect our lives and the stress of urban living poses great challenges to our health. Coming up, CK Life Sciences will continue to carry out more studies on immunity by further extending the scope and depth of the research and widening the application of the findings.

According to information from US industry magazine *Nutrition Business Journal*, the dietary supplement market size amounted to about US\$50 billion in 2001. Traditionally, nutraceuticals target particular ailments or nutrient supplements. With the recent outbreaks of SARS and avian flu, there has been increasing awareness of health and immunity. The demand for immunity products has also grown. Enhancing immunity for the prevention of diseases has become a mainstream concept and CK Life Sciences' immunity R&D complements the present market need. Products developed based on the Group's immunity R&D platform face a huge market demand. The plan is to launch these nutraceuticals in Hong Kong first, then extend the marketing to Mainland China, and later to other markets overseas.



With the support of the Innovation and Technology Commission of the Hong Kong Government, a joint cancer research was implemented between CK life Sciences and the Hong Kong University of Science and Technology.

# Pharmaceuticals

Based on the same premise applied in nutraceutical development that immunity can enhance health, CK Life Sciences has also developed a series of pharmaceutical products. The inventions include treatments which aim at combating deadly diseases, such as HIV/AIDS and cancer. Current drugs mainly address illness by killing the virus or disease. Undoubtedly, this strategy works, but it also causes side effects. The theory adopted by CK Life Sciences calls for the enhancement of immunity in order to stimulate immune cell response to combat the virus or abnormal cell growth. Treatments for HIV/AIDS and cancer have been developed by CK Life Sciences based on this theory and preliminary studies have shown desirable results.

## Research and Development Progress

During the year, CK Life Sciences has devoted considerable resources to conduct studies on the treatment of AIDS and cancer based on the Group's immunity enhancement R&D platform. Collaboration research works have been carried out with a number of renowned medical institutions around the world to prove the Group's theory and applications.

A global research programme for the Group's AIDS and cancer treatments has commenced. Studies have been conducted in Hong Kong, Mainland China, Australia and the US. Promising results have been recorded in a host of pre-clinical studies and preparation for clinical trials are underway.

### AIDS Research

The patent-pending AIDS treatment developed by CK Life Sciences aims to enhance the immune system to ameliorate the impact of the HIV-virus.

During the year, a joint AIDS research project was staged in collaboration with the Partners AIDS Research Center at Massachusetts General Hospital, the largest teaching hospital of the Harvard Medical School. Preliminary results of this study demonstrated the immuno-modulating effects of CK Life Sciences'

invention in AIDS patients' blood samples. Plans for further research studies have been made.

A trial programme conducted with Peking Union Medical College Hospital and Beijing You An Hospital suggested that the Group's solution has considerable merits. Patients showed a stabilized and, in some cases, an increased CD4 cell count, increased energy levels and differing degrees of restoration of the immune system. Patients taking the product did not show any undesirable side effects; symptoms of the disease eased off and their quality of life improved substantially.

In Australia, the Group is working with Swinburne University and MacFarlane Burnet Research Institute on a clinical trial of the solution.

CK Life Sciences' global AIDS research programme is progressing smoothly. More studies are expected to be carried out in the future to accelerate product development.

### Cancer Research

The cancer treatments developed by CK Life Sciences are designed to slow down cancer progression and improve patients' overall well being. These products tackle cancer cells in three different ways:



1) increase the activity of p21 which can induce programmed cell death; 2) increase TNF-alpha secretion, leading to cancer cell death; and 3) enhance the human immune system to combat cancer cells.

18 cancer treatment patent applications were submitted to the US Patent and Trademark Office last year. To accelerate the R&D of cancer products, a global trial programme spanning 6 regions in 4 continents is being actively pursued.

In 2003, The Chinese Academy of Medical Sciences Cancer Institute and Hospital, the Chinese University of Hong Kong and the Hong Kong University conducted a series of in-vitro and in-vivo pre-clinical studies for CK Life Sciences' cancer treatment products. Results indicated that the products are capable of inhibiting the proliferation of primary cancer cells, and modulating immune response through activating the secretion of cytokines, such as IL-1 $\beta$ , IL-4, IL-6 and IFN- $\gamma$ . In addition, the data showed that the growth of human cancer cells injected into mice was suppressed after the mice were fed the products, with both the size and weight of the tumors reducing considerably.

With the support of the Innovation and Technology Commission of the Hong Kong Government, a joint research initiative to study the efficacy of the anti-breast and anti-prostate cancer products developed by CK Life Sciences was established together with the Hong Kong University of Science and Technology. This collaborative study will also develop the first pharmacogenomic and pharmacogenetic database for Chinese prostate and breast cancer patients.

In a study carried out by the China Cancer Research Foundation, the Group's cancer treatment products were administered to about 400 cancer patients in Beijing undergoing chemotherapy or

radiotherapy. Results showed that the majority of these patients regained their appetite, slept better, and experienced less side effects caused by chemotherapy and radiotherapy, demonstrating a significant improvement in their quality of life.

In addition, preparations have begun for a clinical trial in collaboration with the Chinese University of Hong Kong.

The incidence of cancer is increasing globally. It remains a pressing problem and satisfactory solutions are urgently in demand. CK Life Sciences strives to develop solutions for this critical cause.

## Research and Development Strategy

- **Global Research Programme**

A global research programme has been implemented to accelerate the Group's pharmaceutical product development. These joint worldwide research efforts are intended to help build up a comprehensive collection of data for the Group's pharmaceutical products, shorten the time needed for preparation of large-scale clinical trials and speed up the registration process in different target markets.

- **Collaboration with Internationally Renowned Institutes**

Joint research conducted with established institutions around the world is of high scientific value. Not only will such cooperation speed up the pace of research, but will also help achieve wider recognition for the study results, speeding up product commercialization.

- **Ample Research and Development Funding**

The Group will make available adequate funding for necessary R&D activities. The strong financial position of the Group shortens development lead-time and increases the chances for success.

# Directors and Senior Management

## Directors' Biographical Information

### LI Tzar Kuoi, Victor

aged 39, is the Chairman of the Group since April 2002. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. 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 Chinese People's Political Consultative Conference. He is also a member of the Commission on Strategic Development and the Economic and Employment Council of the Hong Kong Special Administrative Region. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

### KAM Hing Lam

aged 57, 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 the Deputy Managing Director of Cheung Kong (Holdings) Limited, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, and an Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

### IP Tak Chuen, Edmond

aged 51, 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 an Executive Director of Cheung Kong (Holdings) Limited, Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and a Non-executive Director of TOM Group Limited. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

### YU Ying Choi, Alan Abel

aged 48, 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.

## Directors and Senior Management (Cont'd)

### **PANG Shiu Fun**

aged 59, is the Vice President and Chief Technology Officer of the Group responsible for technical development of products. 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.

### **CHU Kee Hung**

aged 59, is the Vice President and Chief Production Officer of the Group responsible for microbe processing and production. 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.

### **LAM Hing Chau, Leon**

aged 46, is the Vice President and Chief Financial Officer of the Group responsible for finance, accounting, information technology support and administration. Mr. Lam holds a Bachelor's degree in Social Sciences from The University of Hong Kong. He is a Fellow of the Hong Kong Society of Accountants, CPA Australia and The Association of Chartered Certified Accountants, United Kingdom. Mr. Lam also holds Master's degrees in Information Systems, Business Administration, Applied Finance and Electronic Commerce. Mr. Lam has held a number of senior financial positions in major corporations, including Mentholatum Company (HK) Ltd., Swire Group and Novartis Pharmaceuticals Ltd. Prior to joining the Group in August 2000, he was Vice President — Finance in Bacardi-Martini Asia Pacific Ltd.

### **KWAN Chiu Yin, Robert, JP**

aged 67, is a retired Certified Public Accountant. Mr. Kwan received his Master of Arts degree at Cambridge University and qualified as a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Society of Accountants. He was the Past Chairman of Deloitte Touche Tohmatsu, Certified Public Accountants in Hong Kong and Ocean Park Corporation and is an Independent Non-executive Director of Melco International Development Limited and Shun Tak Holdings Limited. Mr. Kwan was appointed a Non-executive Director of the Group in June 2002.

## Directors and Senior Management (Cont'd)

### **TULLOCH, Peter Peace**

aged 60, serves as a Senior Advisor for Asia of CIBC World Markets since January 2003 after his retirement from the offices of Managing Director, Asia of CIBC World Markets, Chairman and a Director of the major operating companies of the CEF Group and a Director of MLC (Hong Kong) Limited. Mr. Tulloch also acts as a Director of CrossCity Motorway Pty Limited and a Non-executive Director of CIBC Australia Holdings Limited. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. Mr. Tulloch was appointed a Non-executive Director of the Group in April 2002.

### **WONG Yue-chim, Richard, SBS, JP**

aged 51, currently serves as Dean of the Faculty of Business and Economics at 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 the 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 studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. Professor Wong was appointed an Independent Non-executive Director of the Group in June 2002.

### **KWOK Eva Lee**

aged 61, 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. and Bank of Montreal, Group of Companies. Mrs. Kwok currently sits on the Audit Committee and Conduct Review Committee of the Bank of Montreal, Group of Companies and the Compensation Committee and Corporate Governance Committee of Husky Energy Inc. She is also a member of the Conference Board of Canada's Advisory Board for the National Awards in Governance. In addition, she previously sat on the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada. Mrs. Kwok was appointed an Independent Non-executive Director of the Group in June 2002.

## Directors and Senior Management (Cont'd)

### Senior Management's Biographical Information

#### **CHEUNG Ling Yuk, Larry**

aged 49, Chief Scientist of CK Biotech Laboratory Limited, is responsible for leading a team of scientists in the research and development of new applications for the Group. He has over 20 years of scientific research experience in the field of biotechnology. Mr. Cheung has experience in many scientific fields including immunology, oncology, AIDS research, agriculture, animal husbandry, ecology and microbiology. Before joining the Cheung Kong Group in December 1999, he operated a research laboratory and a number of associated commercial entities in Mainland China. He joined the Group in May 2002. He has authored many publications, journal articles and abstracts in the area of biotechnology, such as bioremediation and fertilizers.

#### **CHAN Peter Wing Kwong**

aged 55, is a Business Development Director of the Group. He holds a Doctor of Pharmacy degree from the University of Southern California and has over 25 years of experience in sales, marketing and general management in multinational corporations in the United States, with extensive exposure to a variety of pharmaceutical and nutraceutical products. Dr. Chan has held a number of senior management positions in NeXstar Pharmaceuticals, Inc., Iolab Corporation (a Johnson & Johnson company) and Alcon Laboratories, Inc. Prior to joining the Group in January 2003, he was Managing Director, Pacific Rim Region for Leiner Health Products, Inc., in California.

#### **CHEN Yuguang**

aged 45, is the Technical Services Director of the Group. He holds a Doctor of Philosophy degree in Plant Physiology from The Iowa State University. He has 13 years' experience in technology and product development of the agribusiness, seed technology research and basic plant biochemistry and physiology research in the United States. He has held a number of management positions at Syngenta US and Novartis. Prior to joining the Group in April 2002, he was the Manager, Seed Treatment Technology Platform, with Syngenta AG (NAFTA Region), where he contributed to the discovery of a new seed and agrochemicals technology.

#### **KONG Xiangcheng**

aged 74, is the Controller, Laboratory Research of the Group. He is a graduate from the Peking Normal University with years of experience in laboratory research in both Mainland China and Hong Kong. He was the Associate Professor of Institute of Basic Medical Sciences, The Chinese Academy of Medical Sciences, The Peking Union Medical College and has managed a number of research laboratories in Mainland China. Prior to joining the Group in April 2001, he was with Beijing TLB Institute in the capacity of Deputy Head (Research). Mr. Kong is experienced in coaching and training research scientists.

## Directors and Senior Management (Cont'd)

### **LAM Hak Loong, Daniel**

aged 50, is a Business Development Director of the Group. He holds a Bachelor of Social Science degree from The University of Hong Kong. He has over 23 years' experience in sales, marketing and general management in major multinational and local organizations and with extensive management exposure to marketing and development of various products including food, beverage and innovation technology. Mr. Lam has held a number of senior positions in H.J. Heinz, Hop Hing Holdings Ltd., Kentucky Fried Chicken and Coca-Cola. Prior to joining the Group in March 2002, he was the General Manager, Marketing & Promotions, with Hong Kong Science & Technology Parks Corporation responsible for marketing the Hong Kong Science Park to innovation technology corporations.

### **TAM Pan, Mary**

aged 37, is the Controller, Laboratory Operations, of the Group. She graduated from China Technology and Operation Management University in Mainland China with 11 years' experience in laboratory research and management in both Mainland China and Hong Kong. Prior to joining the Group in April 2001, she was with Beijing TLB Institute in the capacity of Deputy Head (Administration).

### **YEUNG, Eirene**

aged 43, the Company Secretary, has been with the Cheung Kong Group since August 1994 and she joined the Group in January 2002. She is also the Corporate Business Counsel & Company Secretary of Cheung Kong (Holdings) Limited and the Company Secretary of Cheung Kong Infrastructure Holdings Limited. She 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.

### **TONG BARNES Wai Che, Wendy**

aged 43, is the Chief Corporate Affairs Officer responsible for the overall corporate activities of the Group including public relations and communications management. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited. She holds a Bachelor's degree in Business Administration from The University of Hawaii and has had experience in a number of industries, including hotel, property, telecommunications, media, infrastructure, retail and energy and held a number of senior positions with major corporations including Wharf Holdings Limited, Hong Kong Cable Communications Ltd. and Mass Transit Railway Corporation. Prior to joining the Cheung Kong Group, she was the Managing Director of Bozell Tong Barnes PR. Ms. Tong Barnes joined the Group in January 2002.

## Directors and Senior Management (Cont'd)

### **WU Ying Jye**

aged 55, is a Technology Development Director of the Group. He holds a Doctor of Philosophy degree in Biological Sciences from the Wayne State University and has over 20 years of experience with the US biomedical industry. He is knowledgeable in the development of FDA-approved cancer, AIDS and hepatitis B products, and is experienced in external research collaborations and corporate partner licensing. Dr. Wu has held a number of senior management positions in biotechnology companies in the United States including CytoMed, Inc. and Pharmacia ENI Diagnostics, Inc. Prior to joining the Group in August 2002, he was Vice President, Research and Development for Matritech, Inc. (in Boston), a leading developer of proteomics-based diagnostic products for early cancer detection.

### **LIN Jian-er**

aged 48, is the Microbe Processing Director of the Group. He holds a Doctor of Philosophy degree in Chemical Engineering from the University of Michigan with over 10 years' experience in research and development on biochemical/chemical processes and products. Dr. Lin has extensive experience in biotechnology and process optimization, scale-up and validation for agricultural, environmental, industrial and household products. He has held a number of senior positions in leading corporations in the United States including Celgene Corporation, Technical Resources Inc., and Novozymes Biologicals (formerly known as Sybron Biochemicals). Prior to joining the Group in December 2003, he was Director, Process Development & Product Scale-Up with AgraQuest Inc., U.S.

### **ZHANG Shifu**

aged 52, is the Controller, Medical Research of the Group. She holds a Master's degree in Cell Biology from the Peking Union Medical College. Ms. Zhang has extensive experience in laboratory research in both Mainland China and Hong Kong. Prior to joining the Group in November 2003, she was with Institute of Basic Medical Sciences, The Chinese Academy of Medical Sciences, The Peking Union Medical College for over 20 years. Ms. Zhang is a very skilled research scientist with demonstrated practical experience in cellular biology and oncology and she has participated in research in Duke University Medical Center and North Carolina State University, U.S., and The Croucher Foundation, Hong Kong. She is also the author of over 40 publications, journal articles and abstracts in the area of cancer and molecular biology.

# Financial Summary

	Year ended 31 December			2003 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
<b>Consolidated results summary</b>				
Turnover	–	148	4,948	<b>27,563</b>
Results from operations	(137,467)	(57,896)	(60,475)	<b>657</b>
Profit/(loss) attributable to shareholders	(137,491)	(57,934)	(88,895)	<b>928</b>

	As at 31 December			2003 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
<b>Consolidated balance sheet summary</b>				
Non-current assets	175,438	232,293	2,469,723	<b>2,515,897</b>
Current assets	10,887	13,412	349,634	<b>343,832</b>
Current liabilities	(61,643)	(20,116)	(24,922)	<b>(46,292)</b>
Non-current liabilities	(262,173)	(421,014)	–	<b>–</b>
Minority interests	–	–	(351)	<b>(121)</b>
Shareholders' fund/(deficit)	(137,491)	(195,425)	2,794,084	<b>2,813,316</b>

# Financial Review

## **Financial Resources, Liquidity and Treasury Policies**

The financial and liquidity position of the Group remained strong in 2003. 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 (2002: HK\$349,634,000), of which HK\$240,258,000 (2002: HK\$270,721,000) were cash and bank balances. While there were no non-current liabilities at the year end of 2003 (2002: Nil), the current liabilities were HK\$46,292,000 (2002: HK\$24,922,000) 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, which is about 0.7% increase as compared to that of HK\$2,794,084,000 in 2002.

The Group adheres 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.

Same as the previous years, 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 fiscal year under review, 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 under review. 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 as set out in the prospectus of the Company dated 4 July 2002, the Group will continue 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.

## Financial Review (Cont'd)

### **Information on Employees**

Due to the quick expansion of the business as well as the fast development of the research activities of the Group, the total headcount was increased from 161 in 2002 to 298 in 2003. The total staff costs, including Directors' emoluments, amounted to approximately HK\$120,139,000 for the year under review.

The Group's remuneration policies are in line with the market trend and are determined on the basis of the performance and experience of individual employees. In addition to the basic salaries, the employees also enjoy other fringe benefits such as a provident fund, a medical plan and a share option scheme. Up to now, three lots of share options were granted to employees in September 2002, January 2003 and January 2004 which would allow them to exercise up to a total of 4,226,000 shares, 9,628,000 shares and 10,160,000 shares respectively. Details of the share options are set out in the Report of the Directors.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2003 (2002: Nil).

# Report of the Directors

The Directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2003.

## **Principal Activities**

The principal activities of the Company are investment holding and the activities of its subsidiaries are research and development, commercialization, marketing and sale of biotechnology products.

## **Results and Appropriations**

Results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 53.

The Directors do not recommend the payment of a final dividend.

## **Fixed Assets**

Movements in fixed assets of the Group during the year are set out in note 10 to the financial statements.

## **Share Capital**

Movements in share capital of the Company during the year are set out in note 18 to the financial statements.

## **Reserves**

Movements in reserves of the Group and the Company during the year are set out in note 19 to the financial statements.

## **Directors**

The Directors of the Company are listed on page 84. The Directors' biographical information is set out on pages 26 to 28.

In accordance with the Company's Articles of Association, the Directors of the Company (other than the Managing Director or Joint Managing Director) retire in each year by rotation. Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Non-executive Directors (including the Independent Non-executive Directors) have no set term of office but retire from office by rotation in accordance with the Company's Articles of Association at each annual general meeting of the Company at which they will be eligible for re-election.

## Report of the Directors (Cont'd)

### Directors' Emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2003 were as follows:

Name of Director	Fees HK\$'000	Basic salaries and allowances HK\$'000	Bonuses HK\$'000	Retirement	Inducement or compensation fees HK\$'000	Total emoluments HK\$'000
				benefits scheme contributions HK\$'000		
Li Tzar Kuoi, Victor	50	-	-	-	-	50
Kam Hing Lam	50	4,200	-	-	-	4,250
Ip Tak Chuen, Edmond	50	1,800	-	-	-	1,850
Yu Ying Choi, Alan Abel	50	4,539	1,200	446	-	6,235
Pang Shiu Fun	50	4,175	850	407	-	5,482
Chu Kee Hung	50	2,883	600	284	-	3,817
Lam Hing Chau, Leon	50	1,977	404	194	-	2,625
Kwan Chiu Yin, Robert	50	-	-	-	-	50
Peter Peace Tulloch	50	-	-	-	-	50
Wong Yue-chim, Richard	100	-	-	-	-	100
Kwok Eva Lee	100	-	-	-	-	100
	650	19,574	3,054	1,331	-	24,609

Details of the Directors' emoluments are set out in note 24 to the financial statements.

### Directors' Service Contracts

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Report of the Directors (Cont'd)

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2003, 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 Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

#### (1) Long positions in the shares of the Company

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	1,500,000	-	-	2,820,008,571 (Note 1)	2,821,508,571	44.04%
Kam Hing Lam	Interest of child or spouse	-	4,150,000	-	-	4,150,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	1,500,000	-	-	-	1,500,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	1,500,000	-	-	-	1,500,000	0.02%
Pang Shiu Fun	Beneficial owner & interest of child or spouse	1,500,700 (Note 2)	700 (Note 2)	-	-	1,500,700	0.02%
Chu Kee Hung	Beneficial owner	1,500,000	-	-	-	1,500,000	0.02%
Lam Hing Chau, Leon	Beneficial owner	1,250,000	-	-	-	1,250,000	0.02%
Kwan Chiu Yin, Robert	Interest of a controlled corporation	-	-	500,000 (Note 3)	-	500,000	0.01%
Peter Peace Tulloch	Beneficial owner	700,000	-	-	-	700,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	250,000	-	-	-	250,000	≈0%
Kwok Eva Lee	Beneficial owner	200,000	-	-	-	200,000	≈0%

## Report of the Directors (Cont'd)

### 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. 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 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 SF0.
2. Such interests comprise the same block of 700 shares jointly held by Dr. Pang Shiu Fun and his wife.
3. Such shares are held by a company wholly-owned by Mr. Kwan Chiu Yin, Robert.

## Report of the Directors (Cont'd)

### (2) Long positions in the underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 26 June 2002 (the "Scheme"), certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31 December 2003 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 31 December 2003	Option period	Subscription price per share HK\$
		Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding as at 31 December 2003			
Yu Ying Choi, Alan Abel	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598	
	27/1/2003	-	690,000	-	-	690,000	27/1/2004 - 26/1/2013	1.446	
Pang Shiu Fun	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598	
	27/1/2003	-	690,000	-	-	690,000	27/1/2004 - 26/1/2013	1.446	
Chu Kee Hung	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598	
	27/1/2003	-	690,000	-	-	690,000	27/1/2004 - 26/1/2013	1.446	
Lam Hing Chau, Leon	30/9/2002	222,000	-	-	-	222,000	30/9/2003 - 29/9/2012	1.598	
	27/1/2003	-	480,000	-	-	480,000	27/1/2004 - 26/1/2013	1.446	

Save as disclosed above, during the year ended 31 December 2003, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

## Report of the Directors (Cont'd)

On 19 January 2004, certain Directors were granted share options to subscribe for shares of the Company pursuant to the Scheme, details of which were as follows:

Name of Director	Date of grant	Number of share options granted	Option period	Subscription price per share HK\$
Yu Ying Choi, Alan Abel	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Pang Shiu Fun	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Chu Kee Hung	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Lam Hing Chau, Leon	19/1/2004	480,000	19/1/2005 – 18/1/2014	1.762

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31 December 2003, 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 Rules 5.40 to 5.58 of the GEM Listing Rules.

### Share Option Scheme

The Company has adopted the 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 of the Company subject to the terms and conditions stipulated in the Scheme.

#### (1) Summary of the Scheme

##### (a) Purpose of the Scheme

The purpose of the Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

##### (b) Participants of the Scheme

Pursuant to the Scheme, the Company may grant share options to (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) Directors (whether Executive Directors, Non-executive Directors or Independent Non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; and (iv) biotechnological, scientific, technical, financial and legal professional advisers engaged by the Company or any of its subsidiaries or associated companies.

## Report of the Directors (Cont'd)

(c) *Total number of shares available for issue under the Scheme*

Pursuant to the letter issued by the Stock Exchange on 15 July 2002, the total number of shares of the Company available for issue upon exercise of the options which may be granted pursuant to the Scheme and any other share option schemes of the Company is 640,700,000 shares, being 10% of the total number of shares of the Company in issue as at the listing date of the Company and the same must not exceed 30% of the total number of shares of the Company in issue from time to time pursuant to the Scheme.

(d) *Maximum entitlement of each participant*

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share option schemes of the Company to each participant in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares of the Company in issue.

(e) *Time of exercise of options*

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than ten years to be notified by the Board of Directors of the Company (the "Board") to each participant which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted in accordance with the Scheme and expire on the last day of such period as determined by the Board. There is no minimum period for which an option must be held before it can be exercised.

(f) *Payment on acceptance of option offer*

HK\$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant and received by the Company within 14 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

(g) *Basis of determining the subscription price*

The subscription price per share of the Company under the Scheme is a price determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (a "Trading Day"), (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Trading Days immediately preceding the date of offer, and (iii) the nominal value of a share of the Company.

(h) *Remaining life of the Scheme*

The Scheme will remain valid until 25 June 2012 after which no further options will be granted but in respect of all options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

The other principal terms of the Scheme are set out in the Company's prospectus dated 4 July 2002 (the "Prospectus").

## Report of the Directors (Cont'd)

### (2) Details of options granted by the Company

(a) As at 31 December 2003, options to subscribe for an aggregate of 13,098,000 shares of the Company granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above and the management shareholder as disclosed below) pursuant to the Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options						Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2003		
30/9/2002	4,186,000	-	30,000 (Note 1)	204,000	-	3,952,000	30/9/2003 – 29/9/2012 (Note 3)	1.598
27/1/2003	-	9,628,000 (Note 2)	-	482,000	-	9,146,000	27/1/2004 – 26/1/2013 (Note 4)	1.446 (Note 5)

Details of the share options granted to Mr. Cheung Ling Yuk, Larry, a management shareholder of the Company, pursuant to the Scheme as at 31 December 2003 were as follows:

Date of grant	Number of share options						Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2003		
30/9/2002	316,000	-	-	-	-	316,000	30/9/2003 – 29/9/2012 (Note 3)	1.598
27/1/2003	-	580,000 (Note 2)	-	-	-	580,000	27/1/2004 – 26/1/2013 (Note 4)	1.446 (Note 5)

## Report of the Directors (Cont'd)

- (b) On 19 January 2004, options to subscribe for 10,160,000 shares of the Company were granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above and the management shareholder as disclosed below) pursuant to the Scheme, details of which were as follows:

<b>Date of grant</b>	<b>Number of share options granted</b>	<b>Option period</b>	<b>Subscription price per share HK\$</b>
19/1/2004	10,160,000	19/1/2005 – 18/1/2014	1.762
	(Note 2)	(Note 6)	(Note 7)

Details of the share options granted to Mr. Cheung Ling Yuk, Larry, a management shareholder of the Company, pursuant to the Scheme on 19 January 2004 were as follows:

<b>Date of grant</b>	<b>Number of share options granted</b>	<b>Option period</b>	<b>Subscription price per share HK\$</b>
19/1/2004	580,000	19/1/2005 – 18/1/2014	1.762
	(Note 2)	(Note 6)	(Note 7)

### Notes:

1. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised is HK\$1.79.
2. HK\$1.00 has been received by the Company from each participant as consideration for the grant.
3. 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.

## Report of the Directors (Cont'd)

4. 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.
5. The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$1.43.
6. 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.
7. The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$1.77.

The Directors are of the view that the calculation of the value of share options granted by the Company during the year depends on a number of variables, which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. As such, the value of share options is not presented in this report.

## Report of the Directors (Cont'd)

### Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Director or chief executive of the Company, as at 31 December 2003, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company 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 of the Company

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)	73.36%

## Report of the Directors (Cont'd)

### (2) Long positions of other persons in the shares of the Company

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 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 SFO.
- 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 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 Cheung Kong Holdings. 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 Cheung Kong Holdings 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 the Company in which Tangiers and Cheung Kong Holdings 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 Cheung Kong Holdings 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 in the paragraphs headed "Details of options granted by the Company" of the section headed "Share Option Scheme".

Save as disclosed above, as at 31 December 2003, 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 of the Company 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.

## Report of the Directors (Cont'd)

### Competing Interests

During the year, the interests of Directors, management shareholders of the Company or their respective associates as defined in the GEM Listing Rules (the "Associates") in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of Company	Nature of Interest
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note)
	Hutchison Whampoa Limited	Deputy Chairman (Note)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note)
	Hutchison Whampoa Limited	Executive Director (Note)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director
Pang Shiu Fun	Cheung Kong (Holdings) Limited	Shareholder
	Hutchison Whampoa Limited	Shareholder

Name of Management Shareholder	Name of Company	Nature of Interest
Li Ka-shing	Cheung Kong (Holdings) Limited	Chairman (Note)
	Hutchison Whampoa Limited	Chairman (Note)

Note: Apart from holding of the directorship in each of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, 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 Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited.

Both Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited engage in a wide range of businesses and investments which include, inter alia, health care, dietary supplement businesses and/or research, development, manufacture, marketing and/or sale of pharmaceutical and nutraceutical products through their subsidiaries, associated companies or by way of other forms of investments. The disclosure herein above is made on the basis that there might be a chance that such businesses might have competed, either directly or indirectly, with those of the Group under Rule 11.04 of the GEM Listing Rules.

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.

## Report of the Directors (Cont'd)

### Connected Transactions

Continuing connected transactions entered into by the Group during the year ended 31 December 2003 under the GEM Listing Rules are as follows:

#### Production Services Agreement

As disclosed in the paragraphs headed “Waiver in respect of the Continuing Connected Transactions” of the section headed “Waivers from Strict Compliance with the GEM Listing Rules” in the Prospectus, the Group entered into an agreement dated 26 June 2002 (“Production Services Agreement”) with Beijing WonderGrow Biotech Inc. (“Beijing WonderGrow”), a subsidiary of Cheung Kong (Holdings) Limited (“Cheung Kong Holdings”), a substantial shareholder of the Company. Pursuant to the Production Services Agreement, Beijing WonderGrow had been manufacturing the Group’s products, including NutriSmart™ and WonderTreat™. The term of the Production Services Agreement commenced on 1 October 2001 and continues for a period of three years unless terminated earlier by either party by 90 days’ notice within such term. Pursuant to a waiver granted by the Stock Exchange from strict compliance with the requirements of Rules 20.35 and 20.36 of the GEM Listing Rules on 3 July 2002, the annual cap for such connected transactions cannot exceed HK\$12,000,000 in the year ended 31 December 2002 and HK\$30,000,000 in the year ended 31 December 2003.

Both the Independent Non-executive Directors and the auditors of the Company noted that the Group has not entered into any transactions with Beijing WonderGrow under the Production Services Agreement for the year 2003.

#### Supply Agreements

On 29 August 2003, the Group entered into a Cheung Kong Supply Agreement and an HIL Supply Agreement (both as defined and more particularly described in the circular of the Company dated 10 September 2003 (the “Circular”)) with Cheung Kong Holdings, a substantial shareholder of the Company, and Hutchison International Limited, an associate of Cheung Kong Holdings under the GEM Listing Rules, respectively, under which, the Company agreed to provide and/or procure to be provided certain products including (i) health food and dietary supplements; (ii) eco-agricultural products; (iii) bioremediation products; and (iv) skin care products (collectively the “Products” as defined in the Circular) to members of Cheung Kong Group (as defined in the Circular) for use or consumption and/or for sale and distribution on a non-exclusive basis and to members of the HIL Group (as defined in the Circular) for sale and distribution on a non-exclusive basis. In connection with the supply of the Products by the Group to the HIL Group for sale and distribution, relevant members of the HIL Group and the Group may include arrangement for making of the Sales Related Payments (as defined in the Circular) by the relevant members of the Group to those of the HIL Group (all transactions mentioned above being collectively referred to as the “Continuing Connected Transactions”). The Cheung Kong Supply Agreement and the HIL Supply Agreement were deemed to have commenced on 1 January 2003 and 1 May 2003 respectively and both will expire on 31 December 2005.

## Report of the Directors (Cont'd)

The Continuing Connected Transactions cannot exceed the relevant annual caps set out below:

Category of the Continuing Connected Transactions	Proposed Caps (in HK\$)		
	For the year ended 31 December 2003	For the year ending 31 December 2004	For the year ending 31 December 2005
1. Cheung Kong Supply Agreement: the value of the Products provided or to be provided to the Cheung Kong Group	7,000,000	18,000,000	42,000,000
2. HIL Supply Agreement:			
(a) the value of the Products provided or to be provided to the HIL Group	16,000,000	98,000,000	235,000,000
(b) the value of the Sales Related Payments payable by the Group to the HIL Group	5,000,000	19,000,000	43,000,000

Details of the Continuing Connected Transactions were disclosed in the Circular and the Continuing Connected Transactions have been approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 26 September 2003.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that for the year 2003 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also confirmed that for the year 2003 the Continuing Connected Transactions (i) have received the approval of the Board; (ii) are in accordance with the Group's pricing policies; (iii) have been entered into in accordance with the relevant agreements governing such transactions; and (iv) have not exceeded the relevant caps set out above.

### Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Report of the Directors (Cont'd)

### Major Customers and Suppliers

During the year, 60.79% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 35.34% of the Group's turnover. The Group's purchases attributable to the Group's five largest suppliers were less than 30%.

For the year ended 31 December 2003, Nanjing Green Union Eco-Technology Limited, of which the Company is interested in 40% of the issued share capital and Mr. Yu Ying Choi, Alan Abel, Director of the Company, acts as a Director, was one of the Group's five largest customers. Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers.

### Sponsor's Interests

Pursuant to a sponsor's agreement dated 3 July 2002 between the Company and Citigroup Global Markets Asia Limited ("Citigroup"), Citigroup 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 Citigroup, as at 31 December 2003, neither Citigroup, 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 Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year, except that the Non-executive Directors of the Company are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

### Audit Committee

The Company 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 Professor Wong Yue-chim, Richard who is the Chairman of such committee, and Mrs. Kwok Eva Lee.

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

Regular meetings have been held by the audit committee since its establishment and the audit committee met 4 times in 2003.

## Report of the Directors (Cont'd)

### **Auditors**

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 9 March 2004

# Report of the Auditors

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

To The Shareholders of  
**CK Life Sciences Int'l., (Holdings) Inc.**  
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 53 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective Responsibilities of Directors and Auditors

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

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

### Basis of Opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 9 March 2004

# Consolidated Income Statement

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	3	27,563	4,948
Cost of sales		(17,689)	(3,533)
Gross profit		9,874	1,415
Other revenue	4	190,251	76,582
Staff costs	5	(99,517)	(67,376)
Depreciation		(18,812)	(17,498)
Amortization of intangible assets		(2,977)	(685)
Other operating expenses		(78,162)	(52,913)
Profit/(loss) from operations	6	657	(60,475)
Deficit on revaluation of leasehold land and building		–	(28,589)
Share of results of associates		41	–
Profit/(loss) before taxation		698	(89,064)
Taxation	7	–	52
Profit/(loss) before minority interests		698	(89,012)
Minority interests		230	117
Profit/(loss) attributable to shareholders		928	(88,895)
Dividends	8	–	–
Earnings/(loss) per share	9		
– Basic (Hong Kong cents)		0.014 cents	(1.56 cents)
– Diluted (Hong Kong cents)		0.014 cents	N/A

# Balance Sheet

As at 31 December 2003

	Notes	The Group		The Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>					
Fixed assets	10	184,884	186,819	–	–
Intangible assets	11	102,324	64,708	–	–
Interests in subsidiaries	12	–	–	2,933,187	2,936,551
Interests in associates	13	32,975	–	–	–
Investments in securities	14	1,955,161	1,949,880	–	–
Other investments		240,553	268,316	–	–
		<b>2,515,897</b>	<b>2,469,723</b>	<b>2,933,187</b>	<b>2,936,551</b>
<b>Current assets</b>					
Other investments		27,763	26,208	–	–
Inventories	15	10,105	3,109	–	–
Receivables and prepayments	16	65,706	49,596	–	186
Bank balances and cash		240,258	270,721	42	156
		<b>343,832</b>	<b>349,634</b>	<b>42</b>	<b>342</b>
<b>Current liabilities</b>					
Payables and accruals	17	(46,292)	(24,922)	(3,044)	(1,042)
<b>Net current assets/(liabilities)</b>		<b>297,540</b>	<b>324,712</b>	<b>(3,002)</b>	<b>(700)</b>
<b>Total assets less current liabilities</b>		<b>2,813,437</b>	<b>2,794,435</b>	<b>2,930,185</b>	<b>2,935,851</b>
<b>Minority interests</b>		<b>(121)</b>	<b>(351)</b>	<b>–</b>	<b>–</b>
<b>Total net assets</b>		<b>2,813,316</b>	<b>2,794,084</b>	<b>2,930,185</b>	<b>2,935,851</b>
<b>Capital and reserves</b>					
Share capital	18	640,703	640,700	640,703	640,700
Share premium and reserves	19	2,172,613	2,153,384	2,289,482	2,295,151
<b>Total shareholders' funds</b>		<b>2,813,316</b>	<b>2,794,084</b>	<b>2,930,185</b>	<b>2,935,851</b>

**Li Tzar Kuoi, Victor**  
Director

**Ip Tak Chuen, Edmond**  
Director

9 March 2004

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Total shareholders' funds/(deficits) at 1 January	<b>2,794,084</b>	(195,425)
Net profit/(loss) for the year	<b>928</b>	(88,895)
Items recognized in reserves:		
Surplus on revaluation of investments in securities	<b>29,485</b>	46,042
Exchange difference on translation of financial statements of overseas operations	<b>350</b>	-
	<b>29,835</b>	46,042
Issue of shares under share option scheme	<b>48</b>	-
Realized on disposal/redemption of investments in securities	<b>(11,579)</b>	-
Capitalization of loan due to immediate holding company	-	522,158
Net proceeds from issue of shares	-	2,510,204
Total shareholders' funds at 31 December	<b>2,813,316</b>	2,794,084

# Consolidated Cash Flow Statement

For the year ended 31 December 2003

	2003 HK\$'000	2002 HK\$'000
<b>Operating activities</b>		
Profit/(loss) before taxation	698	(89,064)
Share of results of associates	(41)	-
Amortization of intangible assets	2,977	685
Depreciation	18,812	17,498
Loss on disposal of fixed assets	-	2,871
Interest income	(167,391)	(68,644)
Deficit on revaluation of leasehold land and building	-	28,589
Gain on disposal of investments in securities	(8,696)	(3,675)
Operating loss before working capital changes	(153,641)	(111,740)
(Increase)/decrease in inventories	(6,996)	212
Increase in receivables and prepayments	(14,932)	(5,263)
Increase in payables and accruals	22,991	7,157
Hong Kong Profits Tax refunded	-	10
<b>Net cash used in operating activities</b>	<b>(152,578)</b>	<b>(109,624)</b>
<b>Investing activities</b>		
Investment in associates	(33,361)	-
Purchases of fixed assets	(23,676)	(43,893)
Purchases of investments in securities	(378,300)	(2,336,759)
Purchases of other investments	-	(310,586)
Expenditure on intangible assets	(34,636)	(27,297)
Proceeds from disposal of fixed assets	-	4
Proceeds from disposal of investments in securities	165,621	436,596
Proceeds from redemption of investments in securities	234,000	-
Proceeds from maturity of other investments	26,208	16,062
Interest received	166,211	27,946
<b>Net cash inflow/(used) in investing activities</b>	<b>122,067</b>	<b>(2,237,927)</b>
<b>Financing activities</b>		
Advances from immediate holding company	-	101,144
Issue of shares	48	2,614,000
Share issue expenses	-	(103,796)
Contribution by minority shareholder of a subsidiary	-	468
<b>Net cash from financing</b>	<b>48</b>	<b>2,611,816</b>
Net (decrease)/increase in cash and cash equivalents	(30,463)	264,265
Cash and cash equivalents at beginning of the year	270,721	6,456
Cash and cash equivalents at end of the year	240,258	270,721
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	240,258	270,721

# Notes to Financial Statements

## 1. Organization and Operations

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 July 2002.

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

## 2. Significant Accounting Policies

### Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong as well as the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

### Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2003.

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.

### Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment loss where appropriate.

### Investments in associates

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

Investments in associates are carried in the balance sheet at cost plus the Group’s share of their aggregate post-acquisition results and reserves less dividends received and provision for diminution in value. 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.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition.

Goodwill arising on acquisition of an associate is capitalized and amortized on a straight line basis over its economic useful life of not more than 20 years and is included within the carrying amount of the associate. On disposal of an associate, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

# Notes to Financial Statements (Cont'd)

## 2. Significant Accounting Policies (Cont'd)

### Investments in securities

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

### Other investments

Other investments are stated at cost plus or minus the cumulative amortization of the difference between the purchase price and the maturity amount. Annual amortization of any discount or premium on acquisition of the other investments is aggregated with income from other investments over the tenure of the instrument.

### Fixed assets

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

Changes in value on revaluation of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits/losses.

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

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

Land and building	Over the terms of the lease
Laboratory instruments, plant and equipment	20%
Office equipment, furniture and fixtures	20%-33 $\frac{1}{3}$ %

## Notes to Financial Statements (Cont'd)

### 2. Significant Accounting Policies (Cont'd)

#### **Intangible assets**

##### *(a) Research and development expenditure*

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

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

##### *(b) Patents*

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

Subsequent expenditure on an intangible asset after its completion is recognized as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be reliably measured and attributed to the asset. If these conditions are met, the subsequent expenditure is added to the cost of the intangible assets.

#### **Inventories**

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

#### **Revenue recognition**

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

#### **Operating leases**

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.

# Notes to Financial Statements (Cont'd)

## 2. Significant Accounting Policies (Cont'd)

### Retirement benefit costs

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

### Foreign currencies

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

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

### Taxation

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

In prior year, deferred tax was recognized on timing differences to the extent that it was probable that a liability or an asset would be crystallized in the foreseeable future. The change of the policy in compliance with the requirements of the revised Statements of Standard Accounting Practice No.12 "Income Tax" issued by the Hong Kong Society of Accountants does not have any material impact on the Group's financial statements.

## 3. Turnover

Turnover represents the net amounts received and receivable for sales of environmental friendly fertilizers and nutraceutical products.

## Notes to Financial Statements (Cont'd)

### 4. Other Revenue

Other revenue includes:-

	2003 HK\$'000	2002 HK\$'000
Interest income from bank	2,686	12,145
Interest income from investments in securities		
– Listed	43,468	18,939
– Unlisted	105,605	33,267
Income from other investments		
– Unlisted	28,863	7,951
Gain on disposal of investments in securities	8,696	3,675

### 5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$120,139,000 (2002: HK\$82,340,000) of which HK\$20,622,000 (2002: HK\$14,964,000) relating to development activities was capitalized.

Staff costs also include operating lease rentals of HK\$889,000 (2002: HK\$959,000) in respect of accommodation provided to staff.

### 6. Profit/(Loss) from Operations

	2003 HK\$'000	2002 HK\$'000
Profit/(loss) from operations has been arrived at after charging:		
Auditors' remuneration	447	369
Research and development expenditure	73,562	60,800
Amounts capitalized as development costs	(36,632)	(26,753)
	36,930	34,047
Amortization of development costs	2,464	552
	39,394	34,599
Amortization of patents	334	133
Amortization of goodwill	179	–
Loss on disposal of fixed assets	–	2,871

## Notes to Financial Statements (Cont'd)

### 7. Taxation

No provision for Hong Kong Profits Tax was made in 2003 as there was no assessable profit for the year. The credit balance in 2002 represents over provision of taxation in prior year written back.

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

	2003 HK\$'000	2002 HK\$'000
Profit/(loss) before taxation	698	(89,064)
Notional tax at tax rate of 17.5% (2002: 16%)	122	(14,250)
Tax effect of non-deductible expenses	13,802	8,465
Tax effect of non-taxable income	(40,506)	(13,278)
Over provision in respect of prior year	-	(52)
Tax effect of tax losses not recognized	32,704	27,394
Tax effect on accelerated depreciation allowance	(4,862)	(8,294)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,260)	(37)
Tax expenses/(credit)	-	(52)

At year end, the total un-utilized tax losses amounted to HK\$387,000,000 (2002: HK\$ 209,000,000), resulting in deferred tax assets of HK\$67,800,000 (2002: HK\$33,500,000). Such assets have not been recognized in the aforesaid periods as there is no immediate plan to utilize the tax losses to offset profits in the foreseeable future.

## Notes to Financial Statements (Cont'd)

### 8. Dividends

The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2003 (2002: Nil).

### 9. Earnings/(Loss) Per Share

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

	2003 HK\$'000	2002 HK\$'000
<b>Profit/(loss) for the year</b>		
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	928	(88,895)
<b>Number of shares</b>		
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	6,407,007,562	5,705,158,904
Effect of dilutive potential ordinary shares	1,229,999	N/A
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	6,408,237,561	N/A

No diluted loss per share is presented for the year 2002 as the effect on the exercise of the share options granted by the Company is anti-dilutive.

## Notes to Financial Statements (Cont'd)

### 10. Fixed Assets

	Leasehold land and building HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other assets HK\$'000	Total HK\$'000
<b>The Group</b>				
Cost or valuation				
At 1 January 2003	115,000	62,701	36,460	214,161
Additions	–	18,330	4,328	22,658
<b>At 31 December 2003</b>	<b>115,000</b>	<b>81,031</b>	<b>40,788</b>	<b>236,819</b>
Depreciation				
At 1 January 2003	–	15,227	12,115	27,342
Provided for the year	2,584	14,072	7,937	24,593
<b>At 31 December 2003</b>	<b>2,584</b>	<b>29,299</b>	<b>20,052</b>	<b>51,935</b>
Net book value				
<b>31 December 2003</b>	<b>112,416</b>	<b>51,732</b>	<b>20,736</b>	<b>184,884</b>
31 December 2002	115,000	47,474	24,345	186,819

The leasehold land and building is situated in Hong Kong with lease term up to 27 June 2047. It was revalued at HK\$115,000,000 on 31 December 2002 by the Directors on an open market basis with reference to valuation as at 30 April 2002 by DTZ Debenham Tie Leung, an independent professional valuer. The Directors considered that as at 31 December 2003, the fair value of this leasehold land building did not differ materially from that of 31 December 2002. Had the leasehold land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK\$140,361,000 (2002: HK\$143,589,000).

# Notes to Financial Statements (Cont'd)

## 11. Intangible Assets

	Development costs HK\$'000	Patents HK\$'000	Total HK\$'000
<b>The Group</b>			
Cost			
At 1 January 2003	58,757	6,689	65,446
Additions	36,632	3,782	40,414
<b>At 31 December 2003</b>	<b>95,389</b>	<b>10,471</b>	<b>105,860</b>
Amortization			
At 1 January 2003	595	143	738
Provided for the year	2,464	334	2,798
<b>At 31 December 2003</b>	<b>3,059</b>	<b>477</b>	<b>3,536</b>
Net book value			
<b>At 31 December 2003</b>	<b>92,330</b>	<b>9,994</b>	<b>102,324</b>
At 31 December 2002	58,162	6,546	64,708

## 12. Interests in Subsidiaries

	The Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments in subsidiaries	1	1
Amounts due from subsidiaries	2,933,186	2,936,550
	<b>2,933,187</b>	2,936,551

Particulars regarding the principal subsidiaries are set out in Appendix I.

## Notes to Financial Statements (Cont'd)

### 13. Interests in Associates

	The Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of unlisted associates	24,567	-
Goodwill arising on acquisition	8,408	-
	<b>32,975</b>	-

Goodwill of HK\$8,587,000 arose from the acquisition of an associate in 2003. Amortization of goodwill charged in the current year amounting to HK\$179,000 has been included in the consolidated income statement.

Particulars regarding the associates are set out in Appendix II.

### 14. Investments in Securities

	The Group	
	2003 HK\$'000	2002 HK\$'000
Non trading debt securities:		
Listed overseas at market value	651,596	638,731
Unlisted	1,303,565	1,311,149
	<b>1,955,161</b>	1,949,880

### 15. Inventories

	The Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	3,714	1,935
Work in progress	63	-
Finished goods	6,328	1,174
	<b>10,105</b>	3,109

## Notes to Financial Statements (Cont'd)

### 16. Receivables and Prepayments

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade receivables	10,049	2,150	–	–
Other receivables, deposits and prepayments	55,657	47,446	–	186
	<b>65,706</b>	<b>49,596</b>	<b>–</b>	<b>186</b>
Trade receivables				
Aged 0 to 90 days	9,991	2,150	–	–
Aged more than 90 days	58	–	–	–

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

### 17. Payables and Accruals

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade payables	4,653	2,687	–	–
Other payables and accrued charges	41,639	22,235	3,044	1,042
	<b>46,292</b>	<b>24,922</b>	<b>3,044</b>	<b>1,042</b>
Trade payables				
Aged 0 to 90 days	4,653	2,687	–	–

## Notes to Financial Statements (Cont'd)

### 18. Share Capital

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
Authorized:		
As at 31 December 2002 and 31 December 2003	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2002	–	–
New issue for cash at par	1	1
Issue of shares on capitalization of loan due to immediate holding company	69	6
Issue of shares on capitalization of share premium	5,099,930	509,993
Issue of shares by way of placing and public offer	1,307,000	130,700
At 1 January 2003	6,407,000	640,700
Shares issued under share option scheme	30	3
<b>As at 31 December 2003</b>	<b>6,407,030</b>	<b>640,703</b>

## Notes to Financial Statements (Cont'd)

### 19. Share Premium and Reserves

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>The Group</b>					
2002					
At 1 January 2002	-	-	-	(195,425)	(195,425)
Surplus on revaluation of investments in securities	-	46,042	-	-	46,042
Premium on issue of shares by capitalization of loan due to immediate holding company	522,151	-	-	-	522,151
Amount utilized for paying up new shares	(509,993)	-	-	-	(509,993)
Premium on issue of shares	2,483,300	-	-	-	2,483,300
Share issue expenses	(103,796)	-	-	-	(103,796)
Loss for the year	-	-	-	(88,895)	(88,895)
At 31 December 2002	2,391,662	46,042	-	(284,320)	2,153,384
2003					
At 1 January 2003	2,391,662	46,042	-	(284,320)	2,153,384
Shares issued under share option scheme	45	-	-	-	45
Realized on disposal/redemption of investments in securities	-	(11,579)	-	-	(11,579)
Surplus on revaluation of investments in securities	-	29,485	-	-	29,485
Exchange difference on translation of financial statements of overseas operations	-	-	350	-	350
Profit for the year	-	-	-	928	928
<b>At 31 December 2003</b>	<b>2,391,707</b>	<b>63,948</b>	<b>350</b>	<b>(283,392)</b>	<b>2,172,613</b>

## Notes to Financial Statements (Cont'd)

### 19. Share Premium and Reserves (Cont'd)

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>The Company</b>			
2002			
At 1 January 2002	–	(14)	(14)
Premium on issue of shares by capitalization of loan due to immediate holding company	522,151	–	522,151
Amount utilized for paying up new shares	(509,993)	–	(509,993)
Premium on issue of shares	2,483,300	–	2,483,300
Share issue expenses	(103,796)	–	(103,796)
Loss for the year	–	(96,497)	(96,497)
At 31 December 2002	2,391,662	(96,511)	2,295,151
2003			
At 1 January 2003	2,391,662	(96,511)	2,295,151
Shares issued under share option scheme	45	–	45
Loss for the year	–	(5,714)	(5,714)
<b>At 31 December 2003</b>	<b>2,391,707</b>	<b>(102,225)</b>	<b>2,289,482</b>

## Notes to Financial Statements (Cont'd)

### 20. 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 2003, options to subscribe for an aggregate of 13,098,000 shares of the Company granted to certain continuous contract employees pursuant to the Scheme were outstanding, details of which are as follows:

Date of grant	Number of share options					Outstanding as at 31 December 2003	Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year			
30/9/2002	4,186,000	-	30,000	204,000	-	3,952,000	30/9/2003 - 29/9/2012	1.598
27/1/2003	-	9,628,000	-	482,000	-	9,146,000	27/1/2004 - 26/1/2013	1.446

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.

On 19 January 2004, options to subscribe for 10,160,000 shares of the Company were granted to certain continuous contract employees pursuant to the Scheme at a subscription price of HK\$1.762 and with an exercise period from 19 January 2005 to 18 January 2014. Details of the vesting period for this lot of options are same as the above two lots of options.

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

## Notes to Financial Statements (Cont'd)

### 21. 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 under non-cancellable operating leases in respect of rented premises were HK\$560,000 (2002: HK\$1,202,000). There are no leases with terms more than one year.

### 22. Capital Commitment

	The Group	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of the acquisition of laboratory instrument, plant and equipment contracted but not provided for in the financial statements	14,757	9,529

### 23. Retirement Benefits Scheme

The principal employees retirement schemes operated by the Group are defined contribution schemes. Contribution are made by either the employer only or both the employer and the employees at rates ranging from approximately 5% to 10% on the employees' salary.

The Group's cost incurred on employees retirement schemes for the year was HK\$7,356,000 (2002: HK\$5,285,000) and forfeited contribution during the year of HK\$778,000 (2002: HK\$1,009,000) was used to reduce the Group's contribution in the year.

### 24. Directors' Emoluments and Five Highest Paid Individuals

#### (a) Directors' emoluments

Details of emoluments paid to the Directors of the Company are as follow:

	2003 HK\$'000	2002 HK\$'000
Directors' fees	650	325
Salaries and other benefits	19,574	18,831
Bonuses	3,054	2,865
Retirement benefit scheme contributions	1,331	1,249
	<b>24,609</b>	<b>23,270</b>

The Directors' fees included an amount of HK\$50,000 (2002: HK\$25,000) paid to each of the eleven Directors of the Company. Besides, an additional amount of HK\$50,000 (2002: HK\$25,000) was paid to each of the two Independent Non-executive Directors for their participation in the Company's audit committee during the year.

## Notes to Financial Statements (Cont'd)

### 24. Directors' Emoluments and Five Highest Paid Individuals (Cont'd)

#### (a) Directors' emoluments (Cont'd)

In addition to the above Directors' fees, the Executive Director respectively received other emoluments for the year ended 31 December 2003 as follows: nil, HK\$1,800,000, HK\$4,200,000, HK\$3,767,000, HK\$6,185,000, HK\$5,432,000 and HK\$2,575,000 (2002: nil, HK\$1,800,000, HK\$4,200,000, HK\$3,770,000, HK\$6,106,000, HK\$4,493,000 and HK\$2,576,000). No other emoluments were paid to the Non-executive Directors and Independent Non-executive Directors.

None of the Directors waived any emoluments in the year ended 31 December 2003. 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 (2002: four) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining one (2002: one) are as follows:

	2003 HK\$'000	2002 HK\$'000
Salary and other benefits	3,146	3,395
Bonus	500	500
Retirement benefit scheme contribution	240	240
	<b>3,886</b>	4,135

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.

# Notes to Financial Statements (Cont'd)

## 25. Segment Information

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

### (a) Business segments

	Eco-agriculture		Nutraceuticals		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	23,692	4,948	3,871	-	27,563	4,948
Segment results	(18,849)	(11,923)	(25,207)	-	(44,056)	(11,923)
Business development expenditure					(43,556)	(35,416)
Research and development expenditure					(36,930)	(34,047)
Corporate expenses					(65,052)	(55,671)
Other revenue					190,251	76,582
Profit/(loss) from operations					657	(60,475)
Deficit on revaluation of leasehold land and building					-	(28,589)
Share of results of associates					41	-
Profit/(loss) before taxation					698	(89,064)
Taxation					-	52
Profit/(loss) before minority interests					698	(89,012)
Minority interests					230	117
Profit/(loss) attributable to shareholders					928	(88,895)

# Notes to Financial Statements (Cont'd)

## 25. Segment Information (Cont'd)

### (a) Business segments (Cont'd)

	Eco-agriculture		Nutraceuticals		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment assets	38,838	25,301	19,814	5,350	58,652	30,651
Interests in associates					32,975	-
Cash and investments					2,463,735	2,515,125
Other assets					304,367	273,581
Total assets					2,859,729	2,819,357
Segment liabilities	(11,353)	(4,434)	(4,359)	(11)	(15,712)	(4,445)
Other liabilities					(30,580)	(20,477)
Total liabilities					(46,292)	(24,922)

	Eco-agriculture		Nutraceuticals		Others		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Other information								
Amortization of intangible assets	793	685	39	-	2,145	-	2,977	685
Depreciation	706	516	244	-	17,862	16,982	18,812	17,498
Capital expenditure	3,060	6,602	8,860	2,714	51,152	62,262	63,072	71,578

# Notes to Financial Statements (Cont'd)

## 25. Segment Information (Cont'd)

### (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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	3,871	-	34,553	26,384	6,439	8,314
Mainland China	16,015	1,644	17,618	966	5,323	1,002
Other Asian countries	5,664	1,903	5,427	3,301	5	-
Australia	1,323	983	1,004	-	153	-
United States of America	690	418	50	-	-	-
	<b>27,563</b>	<b>4,948</b>	<b>58,652</b>	<b>30,651</b>	<b>11,920</b>	<b>9,316</b>

### 26. Related Party Transactions

During the year, the Group made sales of HK\$2,715,000 (2002: nil) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associated company of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

### 27. Post Balance Sheet Events

In January 2004, the Group set up new ventures with Nanjing Red Sun Co. Ltd. for the development of eco-agricultural business in Mainland China. The total capital injections by the Group into these new ventures will amount to RMB73,140,000.

### 28. Approval of Financial Statements

The financial statements reported in Hong Kong dollars and set out on pages 53 to 78 were approved and authorized for issue by the Board of Directors on 9 March 2004.

# Principal Subsidiaries

## Appendix I

### Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and as such, the following list contains only those principal subsidiaries.

Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly	Principal activities
Beijing Green Vision EcoSciences Inc.	Mainland China	US\$300,000*	100	Trading of biotechnology products
Beijing Vital Care Biotech Inc.	Mainland China	US\$800,000*	100	Trading of biotechnology products
Biocycle Resources Limited	British Virgin Islands	US\$1	100	Trading of biotechnology products
CK Biotech Laboratory Limited	Hong Kong	HK\$2	100	Research and development
CK Life Sciences Int'l., Inc.	British Virgin Islands	US\$1	100	Commercialization of biotechnology products
CK Life Sciences Limited	Hong Kong	HK\$10,000,000	100	Applied research, production, product development and commercialization
NutriSmart Australia Pty Ltd	Australia	AU\$1	100	Trading of biotechnology products
PT Far East Agritech	Indonesia	US\$150,000	60	Trading of biotechnology products
Vital Care Hong Kong Limited	Hong Kong	HK\$2	100	Trading of biotechnology products
Ultra Biotech Limited	Isle of Man	£1	100	Ownership of patents/trademarks

Note: All of the above subsidiaries are limited liability companies.

The principal area of operations of the above companies were in Hong Kong except the following:

Name	Area of operations
Beijing Green Vision EcoSciences Inc.	Mainland China
Beijing Vital Care Biotech Inc.	Mainland China
Biocycle Resources Limited	Australia, Asia and America
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
NutriSmart Australia Pty Ltd	Australia
PT Far East Agritech	Indonesia
Ultra Biotech Limited	Isle of Man

# Associated Companies

## Appendix II

### Particulars of Associated Companies

Name	Effective percentage held by the Company indirectly	Principal activities	Place of operation
Nanjing Green Union Eco-Technology Limited	40	Trading of biotechnology products	Mainland China
Jean-Marie Pharmacal Company Limited	50	Manufacturing and sale of pharmaceutical products	Hong Kong

# Comparison of Business Objectives with Actual Business Progress; Use of Proceeds

## Comparison of Business Objectives with Actual Business Progress

The following is a summary of the actual progress made in comparison with the business objectives as per the prospectus of the Company dated 4 July 2002 (the "Prospectus") for the period from 1 July 2003 to 31 December 2003.

Business objectives as set out in the Prospectus	Actual Business Progress
<b>Product Objectives</b>	
<i>Eco-agriculture – Fertilizer</i>	
Continue pre-sale trials in Europe	Pre-sale trials continued in the Netherlands
Continue pre-sale trials in rest of Asia	Trials continued in Vietnam, Myanmar & Taiwan
Begin pre-sale trials in Latin America	Deferred trials in Latin America to focus resources on Asia & North America
<i>Eco-agriculture – Animal feed additives</i>	
Market research on and preparation for pre-sale trials in other Asian markets	Continued market research and trials in Mainland China and Thailand
Sales begin in Mainland China and Taiwan	Sales programme deferred pending outcome of trials
<i>Bioremediation</i>	
Begin sales in Australia, Canada, Hong Kong and the United States	Trial sales began in Mainland China; trials continued in Australia & the United States
Begin pre-sale trials in UK and the Netherlands	Trials in Europe deferred to focus more resources on the United States
Identify and commence negotiations with strategic partners in UK and the Netherlands	Programme in Europe deferred to focus resources on Asia & North America
Continue new design of wastewater treatment systems	New design of wastewater treatment systems based on trial results under consideration

## Comparison of Business Objectives with Actual Business Progress; Use of Proceeds (Cont'd)

Business objectives as set out in the Prospectus	Actual Business Progress
<b>Product Objectives</b>	
<i>Pharmaceuticals</i>	
Begin Phase I/II clinical trials in selected countries	Human trials in Mainland China & Australia continued which will generate data admissible for Phase I/II clinical trials
Continue product research and development	Continued product research and development
<i>Nutraceuticals</i>	
Begin sales in key Asian markets	Sales started for 2 products in Hong Kong
Market research on and preparation for sales in North America	Made contact with several potential distributors; negotiations continuing
<i>Dermatologicals</i>	
Complete pre-sale trials	Trials deferred pending completion of patent applications
Test market sales	Market research continued
Appoint distributors	Market research continued
<b>Production Facilities and Human Resources</b>	
Trial production of NutriSmart™ to begin in selected local manufacturing locations	Manufacturing in Mainland China continued; trial production in Australia completed — negotiations with potential partners began
Large scale manufacturing of nutraceuticals, animal feed additives and WonderTreat™	Large scale manufacturing of nutraceuticals and WonderTreat™ began

## Comparison of Business Objectives with Actual Business Progress; Use of Proceeds (Cont'd)

### Use of Proceeds

In the second half of year 2003, the Group applied approximately HK\$97 million for its business expansion and research and development activities. Details of the fund application were as follows:

- Research and development
  - Approximately HK\$21 million for core research and development activities
  - Approximately HK\$11 million for clinical trials on pharmaceuticals
  - Approximately HK\$4 million for patent applications
- Approximately HK\$18 million for expansion of manufacturing and research and development facilities
- Approximately HK\$43 million for market development, brand building, sales and marketing

The above application of proceeds was in line with the business objectives as stated in the Prospectus; however, there were some variances on the actual amount spent as compared to those projected in the Prospectus due to the following reasons:

- Rescheduled the development plans for both research and development activities as well as manufacturing and research and development facilities to cope with the changing market conditions
- Continued to adopt effective and efficient cost control measures
- Timing differences in the fund application

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of 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, 20 May 2004 at 11:00 a.m. for the following purposes:

1. To receive the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003.
2. To elect Directors.
3. To appoint Auditors and authorize the Directors to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

## ORDINARY RESOLUTIONS

- (1) **“THAT** a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares (in addition to ordinary shares issued under the share option scheme adopted by the Company on 26 June 2002) not exceeding twenty per cent. of the existing issued share capital of the Company at the date of the Resolution until the next Annual General Meeting.”
- (2) **“THAT:**
  - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
  - (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
    - (i) the conclusion of the next Annual General Meeting of the Company;
    - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
    - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

## Notice of Annual General Meeting (Cont'd)

- (3) **“THAT** the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution No. 4(1) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 4(2) set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”

By Order of the Board  
**Eirene Yeung**  
Company Secretary

Hong Kong, 9 March 2004

Notes:

- a. At the Annual 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. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxy to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
- c. The Register of Members will be closed from Thursday, 13 May 2004 to Thursday, 20 May 2004, 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, not later than 4:00 p.m. on Wednesday, 12 May 2004.
- d. Concerning Ordinary Resolution No. 2 above, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the above Directors will be set out in the circular (the "Circular") to be enclosed with the Annual Report 2003.
- e. Concerning Ordinary Resolution No. 4(1) above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the members as a general mandate for the purpose of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").
- f. Concerning Ordinary Resolution No. 4(2) above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. The Explanatory Statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the GEM Listing Rules, will be set out in the Circular.

# Corporate Information

## Board of Directors

### Chairman

LI Tzar Kuoi, Victor

### Executive Directors

KAM Hing Lam

*President and Chief Executive Officer*

IP Tak Chuen, Edmond

*Senior Vice President and Chief Investment Officer*

YU Ying Choi, Alan Abel

*Vice President and Chief Operating Officer*

PANG Shiu Fun

*Vice President and Chief Technology Officer*

CHU Kee Hung

*Vice President and Chief Production Officer*

LAM Hing Chau, Leon

*Vice President and Chief Financial Officer*

### Non-executive Directors

KWAN Chiu Yin, Robert

Peter Peace TULLOCH

### Independent Non-executive Directors

WONG Yue-chim, Richard

KWOK Eva Lee

### Company Secretary

Eirene YEUNG

### Qualified Accountant

LAM Hing Chau, Leon

### Compliance Officer

LAM Hing Chau, Leon

### Audit Committee

WONG Yue-chim, Richard

KWOK Eva Lee

### Authorized Representatives

IP Tak Chuen, Edmond

Eirene YEUNG

### Sponsor

Citigroup Global Markets Asia Limited

## Auditors

Deloitte Touche Tohmatsu

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

JP Morgan International Bank

Canadian Imperial Bank of Commerce

## Solicitors

Woo, Kwan, Lee & Lo

## Registered Office

P.O. Box 309GT

Ugland House

South Church Street

Grand Cayman

Cayman Islands

## Head Office

2 Dai Fu Street

Tai Po Industrial Estate

Tai Po

Hong Kong

## Principal Place of Business

7th Floor, Cheung Kong Center

2 Queen's Road Central

Hong Kong

## Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.

Butterfield House

68 Fort Street, P.O. Box 705

George Town

Grand Cayman

Cayman Islands

## Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

## Internet Address

<http://www.ck-lifesciences.com>

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to: Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company’s website at <http://www.ck-lifesciences.com>. Shareholders who have chosen to rely on copies of the Company’s Corporate Communication (including but not limited to Annual Report, summary financial report (where applicable), Half-year Report, Quarter Report, notice of meeting, listing document and circular) posted on the Company’s website in lieu of the printed copies thereof may request the printed copy of the Annual Report.

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 Annual Report posted on the Company’s website will promptly upon request be sent the Annual Report 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 Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

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

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