



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)

Annual Report 2002

Restoring Freshness to **Nature**
Bringing Quality to **Life**

○ Eco-Agriculture

○ Bioremediation

○ Nutraceuticals

Environment
Health

○ Pharmaceuticals

○ Dermatologicals

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

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

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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.

Content

- 4 Highlights of the Year 2002
- 8 Chairman's Statement
- 12 Frequently Asked Questions
- 16 Operations Review
- 32 Directors and Senior Management
- 37 Financial Summary
- 38 Financial Review
- 41 Report of the Directors
- 54 Report of the Auditors
- 55 Consolidated Income Statement
- 56 Balance Sheet
- 57 Consolidated Statement of Changes in Equity
- 58 Consolidated Cash Flow Statement
- 60 Notes to Financial Statements
- 79 Principal Subsidiaries
- 80 Comparison of the Business Objectives with the Actual Business Progress; Use of Proceeds
- 82 Notice of Annual General Meeting
- 84 Corporate Information

Mission

Our mission is to **improve the quality of life** by enhancing human health and the sustainability of the natural environment through the development and application of revolutionary biotechnology solutions.

Vision

CK Life Sciences aspires to be a **global, comprehensive and broadly-based provider** of life sciences products which will solve pressing problems of the world, in particular those in the fields of human health and environmental sustainability.



Values

○ We believe in the quality of life and sustainability of environment without having to reduce the standard of living. We believe in **win-win solutions** without compromises.

Highlights of the Year 2002



March 2002

Appointment of Elders, Australian distributor, for eco-fertilizer NutriSmart™.



July 2002

CK Life Sciences was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

April 2002

A joint venture was set up with a subsidiary of Lippo Group in Indonesia for the distribution of NutriSmart™.



July 2002

Appointed Agricultural Chemicals (M) Sdn. Bhd. as sole distributor of NutriSmart™ in Malaysia.



May 2002

3 patents received from the US Patent and Trademark Office for the Group's bioremediation product, WonderTreat™.

July 2002

2 patents received for NutriSmart™.



July 2002

Appointment of US distributor, Wilbur-Ellis.



August 2002

Mr. Donald Tsang, Chief Secretary for Administration, Hong Kong Special Administrative Region Government, visited CK Life Sciences.



August 2002

Management of CK Life Sciences greeted Dr. Yeoh Eng Kiong, JP, Secretary for Health, Welfare and Food, at CK Life Sciences.



October 2002

NutriSmart™ won the "Far Eastern Economic Review" Asian Innovation Bronze Award.

August 2002

2 more patents received for WonderTreat™.



November 2002

The Hon. Mike Rann, Premier of South Australia visited the research and development facilities of CK Life Sciences.



October 2002

Appointment of Wong Sam Hing as eco-fertilizer distributor in Hong Kong and Macau.



December 2002

Set up "CK Life Sciences AIDS Research Institute" as a special dedicated unit to accelerate the research on AIDS.

October 2002

Project BurdeSmart was launched in collaboration with Burdekin Shire Council in Australia to introduce NutriSmart™ to Burdekin sugar cane farmers.





Poised for
Rapid Growth





Sales. Profits. Breakthrough

Li Tzar Kuoi, Victor (Chairman)

Chairman's Statement

I am pleased to report that CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries (the "Group") reached another significant milestone by achieving profitability in the fourth quarter of last year. In the quarter ended 31 December 2002, the Group reported an operating profit of approximately HK\$90,000. Turnover amounted to approximately HK\$3,060,000, an increase of 110% over the previous quarter.

Prior to the incorporation of a revaluation on the leasehold land and building in Tai Po Industrial Estate, where the Group's R&D facility is located, the loss attributable to shareholders in 2002 was approximately HK\$60,306,000. Taking into account this revaluation, the loss attributable to shareholders amounted to approximately HK\$88,895,000. The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2002.

Financial Performance

HK\$'000	Quarterly Results for 2002				Yearly Results	
	Q1	Q2	Q3	Q4	2002	2001
Turnover	134	298	1,456	3,060	4,948	148
Operating profit/(loss)	(22,146)	(27,271)	(11,148)	90	(60,475)	(57,896)
Property revaluation	-	-	-	-	(28,589)	-
Loss attributable to shareholders					(88,895)	(57,934)

Review

The Group was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited in July 2002, and became the largest listed company on the GEM Board by market capitalization. Business has since been growing rapidly. The ability of the Group to achieve profitability in less than six months after listing can be attributed to two major factors:

- **Rapid Expansion of Sales Network**

The sales network for the Group's eco-fertilizer expanded rapidly during the year. Distributors were appointed in Australia, the United States, Thailand, Malaysia, Indonesia, Hong Kong, Macau, and Mainland China, and export markets were established in Myanmar, South Korea, and the Philippines. The distribution network for eco-fertilizer now spans three continents – Australia, Asia, and North America.

- **Attractive Returns from Effective Financial Management**

An effective and prudent financial and risk management strategy has strengthened the Group's foundation of capital resources and generated attractive returns. During the year, a portion of the funds raised from the listing was allocated to R&D, business development, and manufacturing facilities; while the remainder was placed on deposit and invested in other financial instruments, resulting in a steady stream of treasury income.

In addition to achieving positive financial results, the Group has also consolidated its foundations. Initiatives have been undertaken to expand the revenue base, accelerate the pace of R&D, and strengthen the portfolio of intangible assets. Significant amount of the Group's resources has been channelled to R&D investment. We also achieved substantial progress in a number of areas during the year:

Chairman's Statement (Cont'd)

- The Group's patent portfolio has expanded substantially. To date, we have received 7 patents and 2 notices of allowance from the US Patent and Trademark Office, and another 30 patent applications are at the patent pending stage.
- The Group is growing rapidly in size. Including overseas operations and joint venture companies, the Group now has more than 200 employees, many of whom are engaged in R&D activities. This vast pool of talent is instrumental in accelerating R&D growth and market development.
- The NutriSmart™ eco-fertilizer received the "Far Eastern Economic Review" Asian Innovation Bronze Award 2002 during the year.
- Field trials of NutriSmart™ were conducted on rice, vegetables, fruits, parks, gardens, as well as sportsgrounds in many places, including Australia, Thailand, Taiwan, Hong Kong, the Philippines, Indonesia, Malaysia, Myanmar, Vietnam, South Korea, the United States, the Netherlands, the United Kingdom, Ghana, and Mainland China. Satisfactory results were reported.
- Pre-sale trials of the bioremediation products WonderTreat™ have been conducted in Mainland China, Australia, Hong Kong, and Canada, and results have been most encouraging. Plans are being made to launch this series of products during 2003, further augmenting the Group's income stream.
- Research and development of a series of products to enhance immunity is making very good progress.
- Trial programmes conducted in Mainland China on the Group's HIV/AIDS products recorded encouraging preliminary results. To accelerate the research process, the Group set up the "CK Life Sciences AIDS Research Institute" with an initial budget allocation of HK\$370 million.
- The Group plans to implement a global research programme for its HIV/AIDS products. In addition to Mainland China, a research programme has commenced in Australia.

To conclude, the Group has built a strong foundation during the past year through encouraging progress in finance, R&D, product development, and market expansion.

Outlook

2003 will be a year full of opportunities for CK Life Sciences. Capitalizing on its solid financial foundation, R&D strength, and marketing capability, the Group is optimistic about its sales and revenue outlook:

Chairman's Statement (Cont'd)

- **Developing Products For Today's Needs**

Products developed by the Group are ideal in fulfilling the needs of today's markets globally. In the 20th century, emphasis was placed on using technology to improve efficiency. In the 21st century, the focus will be on enhancing the quality of life. Solutions are being sought after all over the world for a cleaner environment, more sustainable development and better health. We expect that demand for the Group's products will be very strong, and the market potential most promising.

- **Launching the Right Products at the Right Time**

Product development and commercialization has been progressing well, and research indicates that timing for the launch of various new products fits in perfectly with market needs. Quite a few products are already on sale, or in the process of being launched shortly. R&D activities have been accelerated, shortening the product development cycle. Product launches are being brought forward to capitalize on market opportunities.

- **Expanding and Penetrating Markets to Capture Opportunities**

The Group's distribution network currently spans three continents. The Group will employ a dual strategy of expanding market coverage and deepening market penetration simultaneously to accelerate market acceptance and increase sales. The Group will focus on extending the reach of its distribution network, while at the same time pursue further penetration of existing markets. Products in different categories will be launched in these markets to maximize synergy and leverage available resources to generate sales efficiently.

- **Sustaining Returns and Growth**

The most successful biotech companies are those that carry out the most research, but for many start-up companies, the cost of research is prohibitively high. Not only does CK Life Sciences have exceptionally solid financial strength, it also has good revenue-generation capacity and steady treasury income to fund R&D activities. The Group's strong financial foundation, visionary financial strategy and highly developed R&D and marketing capabilities should result in sustained favourable financial returns and growth in coming years.

Acknowledgements

I wish to thank our shareholders, Board of Directors, management, staff, and business partners for their support, contributing to the Group's rapid development and achievement of profitability within a short period of time after listing.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 6 March 2003

Frequently Asked Questions



During the course of the year, there have been many questions raised in meetings with the media and investment community regarding the future prospects of CK Life Sciences. The following is a summary of some of the most frequently asked questions and the corresponding responses from management.

Profitability

Q1 The Group's income statement in 2002 shows a loss bigger than that in 2001. What is your comment on this?

Answer:

- Financials in the early years of a startup company such as CK Life Sciences do not truly reflect its underlying value. Particularly in the period under review, year-on-year comparison is not meaningful.
- The Group started to recruit talent, built its facilities and carried out preparatory work when it was formed in 2000. Progressing into 2001 and 2002, the company continued to hire more people and delved deeper into research and development. Thus, the loss in 2002 reflects a period of higher spending.
- A more meaningful indicator of trends is quarter-on-quarter performance starting from July 2002, when the Group was listed.
- As a matter of fact, the Group's operating results for Q2, Q3 and Q4 of 2002 show an improving trend.

Q2 When will the company become profitable and how?

Answer:

- Excluding the one-off adjustment on property revaluation incorporated at year end to comply with the listing rules, the Group was actually profitable operationally in Q4 2002, less than six months after its listing in July 2002. This is an important milestone in the Group's development.
- The strong results are due to:
 1. Strong market reception to NutriSmart™, the Group's eco-fertilizer product.
 2. Strong financial management, particularly in treasury investment, which has brought additional income.

Q3 Why is reaching profitability in Q4 2002 such an important milestone?

Answer:

- As a start-up biotechnology company, becoming profitable within such a short period of time holds strong significance:
 1. It suggests that the burn rate of the Group is well managed.
 2. It indicates that the Group has a strong financial foundation to provide adequate funding for necessary research and development activities.
 3. It signals an optimistic future for the Group.



Frequently Asked Questions (Cont'd)

Q4 Does that mean profit will be sustainable in 2003?

Answer:

- We are not at liberty to provide any profit forecast here. However, there are strong reasons for optimism:
 1. Sales in Q4 2002 came from one product launched just 12 months earlier. There will be further market penetration and distribution expansion in 2003 for this product. We also plan to launch additional products in the near future. Increasing sales are anticipated.
 2. Effective financial management in 2002 has helped to establish a solid financial base for the Group. Ongoing strong results are expected.

Q5 What are the Group's profit growth drivers?

Answer:

- In the near term, our eco-fertilizer, NutriSmart™. With sustainable agriculture being a top priority on the world agenda, the product offers a most appropriate solution to the urgent problems faced by governments and the agricultural community. Favourable market reception of this unique product suggests it has the potential to revolutionize the HK\$300 billion global fertilizer market.
- Within the product development pipeline, there is a series of human health-related products aimed at enhancing the immune system. Favourable progress has been achieved in research and development, especially for those dealing with life-threatening diseases, such as HIV/AIDS and cancers. Such products have the potential to become blockbusters, bringing in huge sales and profits.
- There are many other products under development that fulfill the needs of today's markets globally. Research and development of these products has been accelerated, and launching these products in a timely manner will help capitalize on market need, and would add to our list of profit drivers.

Financial Management

Q6 Please explain the treasury investment activities and the benefits they bring to CK Life Sciences.

Answer:

- Funds raised from the IPO had been allocated to either research, development and other activities of the Group. Disbursement were made in accordance with needs. Funds awaiting disbursement were placed on deposit and invested in other financial instruments, and has generated treasury income in 2002.
- One of the reasons of the strong financial performance for Q4 2002 is treasury income. The benefits of having such treasury income are:
 1. It is an additional profit stream.
 2. It helps to strengthen the financials of the entire Group.
 3. It provides an additional source of funding for ongoing research and development activities.



Frequently Asked Questions (Cont'd)

Q7 Will there be a cap on research and development spending?

Answer:

- We recognize that the success of biotechnology companies largely depends on research and development spending. In many cases, the larger the amount of spending available for research and development, the higher the chance of success and the shorter the lead time of development.
- The company will make available adequate funding for necessary research and development activities to ensure successful outcomes. Given the strong financial position of the Group coupled with the initial trend of strong sales, there will be adequate resources to fund all foreseeable research and development needs.
- Therefore, we will not propose putting a cap on research and development spending. We will even encourage more spending if and when appropriate.

Corporate Strategy

Q8 What is the Group's corporate strategy?

Answer:

The Group will adopt three approaches to accelerate the rate of market expansion and maximize earnings potential:–

- **Strengthen immediate revenue**
Expand aggressively the eco-fertilizer distribution network in major markets to increase sales revenue.

Accelerate the launch of products with short research and development cycles, or those that are close to final development, such as bioremediation products and animal feed additives, in order to maximize synergy and sales efficiency.
- **Expand the portfolio of intangible assets**
Aim to submit patent application for all the remaining inventions in the current portfolio in the coming year, and hope to have patents granted for most of the 108 products within the next three years.
- **Accelerate entry into the health market**
Speed up pre-market development and trials of potential nutraceutical and pharmaceutical applications in partnership with universities and medical institutions in Australia, the US and other countries around the world.

Company Prospect

Q9 What are the prospects for CK Life Sciences?

Answer:

Prospects for CK Life Sciences are bright:–

- **Sales growth momentum will continue**
Sales growth is expected to continue to accelerate in existing markets (including mainland China, Australia, the US, Malaysia, Thailand, Myanmar, Indonesia, Hong Kong, Macau, the Philippines and South Korea).

Preparations are underway to enter other additional markets.

Local manufacturing is being planned to improve sales and customer service to the respective local markets.



Frequently Asked Questions (Cont'd)

New products will be launched to maximize sales and synergies in the various markets.

- **HIV/AIDS and human health research will gather pace**

To speed up the growth in value of the Group, research and development of human health related products, such as those for the treatment of HIV/AIDS and cancer, has been aggressively accelerated. Research into nutraceutical and pharmaceutical products, especially those aimed at enhancing the immune system, have made considerable progress.

Safety tests, pre-clinical tests and human trials for some of the products have been arranged with international medical institutes. Planning for global testing is underway.

The development of a few of the products is already at a mature stage. They are significant to the Group because potential early launches of these products will accelerate sales growth and elevate the stature of the Group in the scientific community.

- **Substantial financial resources will facilitate research and development success**

With a solid financial foundation and liquid cash position, research and development would not be a financial burden to the Group. Unique among biotechnology companies, the Group's strong capital base could provide adequate funding for all ongoing product research and development. This would lead to a higher probability of product success and shorter development lead time.

Others

Q10 How should a biotechnology company be evaluated?

Answer:

Evaluating a biotechnology company is different from evaluating a conventional one:–

- Generally, a biotechnology company should be evaluated on the basis of its future prospects derived from research and development activities:
 1. whether or not there is adequate funding to support research and development
 2. probability of research and development success
 3. breadth and depth of research
 4. length of research and development cycle
 5. abundance of products in the pipeline
 6. market potential of products developed
 7. product life cycle
- CK Life Sciences' scores are high in all the above aspects. The Group has already developed over 100 product applications based on its revolutionary and unique technology platform. Some of the products have been successfully launched, while others are in the developmental stage. The research and development of a series of products to enhance immunity has been making very good progress, helping to accelerate the launch of products in time to meet market needs. More importantly, given a good financial background, it has adequate funding to build a pool of quality human resources and support all the necessary research and development activities.
- In conclusion, CK Life Sciences could be described as a Group with both optimistic near and long-term prospects. Generating operating profit within six months of listing is a telling reason for this optimism.



○ Asia

○ North America

○ Australia

Expanding Distribution

Net



The Group's distribution network now covers Australia, Asia and North America, and will expand at full rate.

Eco-Agriculture

Business Progress

During the year, CK Life Sciences established a strong foundation for the development of its eco-fertilizer business. The Group's distribution network and export markets underwent rapid expansion, with a footprint now covering Australia, Asia and North America. Industry leaders were appointed as local distributors in Australia, the United States, Malaysia, Thailand, Indonesia, Mainland China, Hong Kong and Macau. These distributors contribute greatly to the growth of the Group's eco-fertilizer revenue, while the three new export markets – Myanmar, the Philippines and Korea – are expected to have a positive impact on sales growth in the coming year.

In 2003, the Group will continue to expand the sales network by forming strategic alliances with leading market players with the aim of establishing strong competitive positions in all different markets.

work





Market Development Strategy

- Expand market coverage; Increase market share

With the aim of building a global distribution network for NutriSmart™, CK Life Sciences has already established sales operations in three continents during the year. The Group's expansion strategy is to extend the sales network to new markets, while strengthening product penetration in existing markets.

There have been widespread news reports about the prolonged over-use of chemical-based fertilizers and pesticides all over the world. Not only do these excessive chemicals cause leaching into nearby water bodies, they also damage soil

conditions and soil quality, and reduce crop yields. "Sustainable farming" has therefore become a priority worldwide. Against this background, the Group's eco-fertilizer product, NutriSmart™, poses an ideal solution for today's agricultural industry. NutriSmart™ does not cause leaching, and improves soil condition as well as crop quality. It generates yields as good as, if not better than, and those of chemical fertilizers. It is environmentally friendly and does not call for any compromises to be made by the farmers. NutriSmart™'s features and benefits fit perfectly with the concept of "sustainable farming". The Group is confident that with strong marketing support, NutriSmart™ will be widely recognized as an innovative way to achieve "sustainable farming".

Operations Review (Cont'd)



The Group will continue to work closely with governments, NGOs and industry practitioners in promoting “sustainable farming”, and NutriSmart™’s being the ideal fertilizer for such practice. This kind of multi-lateral co-operation is expected to speed up NutriSmart™’s market share growth.

- **Accelerate localization of manufacturing and marketing**

To improve customer service and drive sales, the Group intends to adopt a localisation strategy for manufacturing and marketing. Manufacturing products locally, where they are sold and marketed, will lower delivery costs as well as shorten



delivery lead time and allow product features and marketing strategies to be tailored to local market needs. Such plans should also improve sales revenue and net profit margin.

- **Tap into emerging market segments**

NutriSmart™’s unique characteristics give this patented product a clear advantage in tapping into a number of rapidly growing emerging market segments:

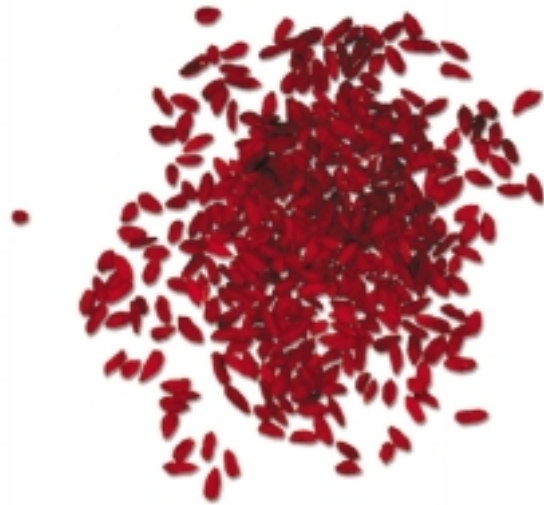
Organic Farming

The demand for organic food has been increasing at an exponential rate all over the world. It is a market with huge potential. According to an official report published in Australia in 2001, the global organic food market is estimated to be A\$35 billion (approximately US\$21 billion) a year. Assuming annual growth of 10% to 30%, this market is expected to grow to a total value of between A\$110 billion (approximately US\$66 billion) and A\$190 billion (approximately US\$114 billion) by 2006.

NutriSmart™ has been accredited as suitable for use in organic food production by a number of international accreditation agencies, including the Organic Materials Review Institute (OMRI) in the United States, and the Biological Farmers Association (BFA) of Australia. The Group plans to develop NutriSmart™'s business in this premium market, further expanding sales and revenue sources.

Safe Agricultural Produce

Apart from organic food farming, CK Life Sciences is also exploring new business opportunities in other areas of premium agricultural production, such as safe and contamination-free produce and nutritious functional foods. The Group plans to conduct field trials with a number of authoritative global or national organizations in this area. This will extend the application of NutriSmart™ into premium agricultural produce markets and create new sources of sales revenue.



Farming of Chinese Medicinal Herbs

CK Life Sciences plans to co-operate with the Department of Botany at Hong Kong University to conduct a joint study on the application of NutriSmart™ for growing Lycium (Chinese Wolfberry) in Ningxia, a region in China famous for Lycium seed production. This study is significant in several ways:

- Following the HKSAR Government's announcement of plans to introduce regulations to ensure quality standards in the practice and use of Chinese medicine, there has been an increased awareness of the quality of Chinese medicine. The recognition of good agricultural practice, which involves the importance of growing herbs in a healthy and safe environment, has created an opportunity for adoption of eco-fertilizers, such as NutriSmart™.
- This is the first study on the application of NutriSmart™ in herbal medicine farming. In the future, the Group will continue its efforts to conduct studies and trials on the application of NutriSmart™ to a variety of Chinese herbs. The Group anticipates that the application of eco-fertilizers such as NutriSmart™ will enhance the quality of Chinese herbal medicine and contribute to their growth in the international market.

Australia

Development Strategies in Key Markets

Australia

In Australia, environmental protection, sustainable agricultural practices and food safety are very high on the country's agenda. The country is currently one of the Group's major target markets. With agriculture being a major industry, the Australian fertilizer market is worth about A\$2 billion annually.

The Australian Government has undertaken a number of measures in recent years to tackle the pressing problem of water pollution in the Great Barrier Reef region, including stringent control over agricultural activities that harm the ecology of the coastline. Reducing the usage of chemical fertilizers is one of the measures frequently suggested. This urgent need for reef protection puts NutriSmart™ in an advantageous position for business development.

The Group has established good relationships with various government departments, NGOs, and community groups in Australia, and will work closely with them to promote eco-fertilizers, such as NutriSmart™, for sustainable agriculture.

The Australian market is a huge one with high potential for NutriSmart™. The Group will initiate and implement programmes which will create win-win scenarios for farmers, green groups, and the Government to



Mr. H L Kam, President and CEO of CK Life Sciences and Mr John Woods, Mayor of Burdekin Council, Australia, introduced eco-efficient agricultural application to sugar cane farmers

encourage the adoption of NutriSmart™. In October 2002, CK Life Sciences worked together with the Burdekin Shire Council in Queensland, Australia to encourage sugar cane farmers in the Burdekin region to participate in a trial programme for NutriSmart™. This programme was intended to offer a solution to cane farmers – one which enables them to maintain or even improve yields while alleviating pollution caused by the excessive use of chemical fertilizers. This also helps them rebut accusations made by a number of organizations that sugar cane farmers are polluting the Great Barrier Reef. Features of this programme included special payment terms such as discounts, low cash outlay and long payment periods for the purchase of NutriSmart™. The programme was very well received by both the farmers and the local government. The Group plans to roll out similar programmes with other local governments in Australia in the future.



Mr. H L Kam (second from right), President and CEO, Mr. Edmond Ip (far right), Senior Vice President and Chief Investment Officer of CK Life Sciences, met with The Hon. Steve Bracks (second from left), Premier of Victoria, and Mr. John So (far left), Mayor of Melbourne, Australia, to discuss future cooperation

United States

US

The fertilizer market in North America accounts for 14% of the global market and is estimated to be worth about US\$6 billion. The US will be a major market for CK Life Sciences' business development in the coming year. The experience the Group gained in Australia would provide valuable insights for efforts launched in the US. As a major global agricultural market, the agricultural practices in the US bear similarities with those in Australia, and environmental protection is high on the country's agenda. As different states are characterized by different climates and agricultural policies, the Group will tailor strategies to the needs of different regions in the country.

The Group will initially focus on developing two premium markets – the organic agricultural industry and golf courses. A distributor has been appointed to market NutriSmart™ in Texas, California and Arizona, and more will be signed up in 2003 to increase market penetration and sales growth.



Mainland China

China is the world's largest fertilizer market. Estimated to be worth around HK\$85 billion, the market represents about a quarter of the global market. In many regions, the quality of soil has degraded as a result of the pro-longed over-use of chemical fertilizers, leading to low productivity yields. Excessive use of chemical fertilizers also causes non-point source agricultural pollution. These two pressing problems call for an urgent comprehensive solution to reduce pollution and improve yields, thus posing an opportunity for NutriSmart™. In addition, China's accession to the World Trade Organization will intensify the competition faced by domestic agricultural producers and raise the expectations of overseas markets on the quality and safety of exported Chinese agricultural products. This will generate further opportunities for the Group's eco-fertilizer product.

Operations Review (Cont'd)

To tap into this very significant market, CK Life Sciences formed a joint venture with Nanjing Red Sun Co. Ltd. ("Nanjing Red Sun") to promote and distribute NutriSmart™ in 14 provinces in central China, eastern China and southern China.

Nanjing Red Sun is a listed company on the Shenzhen Stock Exchange, and is a subsidiary of the Red Sun Group Corporation, a leading Chinese agro-chemicals manufacturer and distributor with an extensive network in rural farming areas throughout China. CK Life Sciences expects the distribution network for NutriSmart™ to grow rapidly in China over the next few years, generating a good income stream for the Group.

In addition to forming partnerships with industry leaders, the Group also plans to work together with leading environmental and technology organizations to raise recognition towards eco-fertilizers, such as NutriSmart™. These research projects include one to be launched in 2003, which involves reputable international agencies and Mainland scientific research centres. The research findings will provide valuable references for other markets, and will further reinforce the positioning of NutriSmart™ in the agricultural industry.





○ Solid Waste

WonderTreat™

○ Contaminated
Surface Water

○ Municipal
Water

○ The Group's bioremediation applications, WonderTreat™ is a range of products for the treatment of animal waste, contaminated water and municipal water. It is expected to be launched in 2003.

Capitalizing on Business

Bioremediation Products

Business Progress

- A series of pre-sale trials have already been conducted, and more are set to take place in different countries in preparation for the global launch of WonderTreat™, the Group's bioremediation product application.

China, Hebei Province: Shijiazhuang City	<ul style="list-style-type: none"> • Completed tests on using WonderTreat™ for treatment of chicken manure. • Initial results show that WonderTreat™ is effective in removing odour, suppressing the growth of pathogens, and accelerating the composting of chicken manure into fertilizer.
Canada	<ul style="list-style-type: none"> • Testing of WonderTreat™ on chicken manure composting is in progress.
Hong Kong	<ul style="list-style-type: none"> • Testing of WonderTreat™ in combination with existing treatment facilities to treat pig waste for recycled use is in progress.
South Australia	<ul style="list-style-type: none"> • Testing of WonderTreat™ in combination with existing treatment facilities to increase the efficiency of municipal wastewater treatment has begun. • Testing of WonderTreat™ for treatment of pig manure has commenced.

- Current test results show that WonderTreat™ is particularly effective in treating animal waste for recycled use. The Group plans to launch the product in 2003.

Encouraging Result of Trials in Shijiazhuang City, China

The Group worked with Shijiazhuang Green Biotechnology Engineering Ltd. ("Shijiazhuang Green") on conducting a series of trials on the treatment of chicken manure in China's Hebei Province. The results have been very encouraging, demonstrating that WonderTreat™ has been very effective.



Opportunities

Operations Review (Cont'd)

During the trial, WonderTreat™ was applied to chicken manure. Within two weeks, the yeast strains in WonderTreat™ successfully removed the odour and killed pathogens in the manure. The application of WonderTreat™ also significantly accelerated the fermentation process of the manure into compost for use as a fertilizer ingredient in a cost-effective manner.

The trial was conducted in the Gaocheng area of the city of Shijiazhuang, where over four million tonnes of chicken waste are produced annually from the approximately 100 million bred chickens. WonderTreat™ not only eases the environmental pollution problem caused by the intensive poultry industry, but also effectively converts the manure waste into an ingredient for organic fertilizer.

Shijiazhuang Green has since started purchasing WonderTreat™ for its own use.



Fermentation process of chicken manure



Market Development Strategy

- Immediate Opportunity

Given the confirmed effectiveness of WonderTreat™ for the treatment of chicken manure, and its efficiency in composting, the Group intends to cooperate further with Shijiazhuang Green to explore prospects for the organic composting fertiliser market. The successful formula of this case will be applied to other potential regions in the Mainland as well as other overseas markets.

Animal waste has long been an environmental problem. WonderTreat's™ function of transforming waste into ingredients for organic fertilizers, not only offers as an effective solution for environmental protection, but also as a means to additional income for the concerned parties. Bioremediation has the potential to become a popular treatment solution in the animal rearing industry, and WonderTreat™ serves as a win-win proposition to the animal-rearing industry, organic fertilizer manufacturers, the environment and CK Life Sciences.



Data gathering for product trial

- Short and Medium Term Development Plan

The lessons learned in Shijiazhuang have led the Group to further promote WonderTreat™ for use in treating chicken manure and transforming it into raw material to be used in the Group's eco-fertilizer, NutriSmart™. This is a good example of how synergy between two of the Group's products can be leveraged to develop business opportunities that are mutually beneficial.

WonderTreat™

According to data published in 2002 by Environmental Business International, Inc., a US research, consulting and publishing firm for the environmental industry, the global waste treatment market is estimated to be worth about US\$193 billion. With an aim to tap into this huge market potential, CK Life Sciences will continue to conduct WonderTreat™ trial studies for the treatment of other animal wastes, such as those from cows and pigs.

The Group also plans to carry out more WonderTreat™ trials on the treatment of contaminated surface water, such as man-made lakes and ponds. Field trials for the treatment of municipal wastewater will continue. However, as these trials potentially require modification of existing infrastructure, they usually take more time for planning and preparation. The municipal water treatment market will therefore require more time to develop.



Part of the facilities of the municipal water treatment plant in South Australia



○ Proprietary Yeast Based Technology

○ Enhancement of Immunity

○ Nutraceuticals

○ Pharmaceuticals

Accelerate

○ The Group's proprietary yeast based technology can lead to the development of products capable of boosting human immunity. Capitalizing on this technology, a series of nutraceutical and pharmaceutical products is being developed.

Health-related Products

Based on the Group's proprietary yeast technology platform, a series of products have been developed. Some of these products, such as the eco-fertilizer and bioremediation products, have been successfully launched in the market, reinforcing the value of this advanced technology.

Research studies have shown that yeast-based technology can also lead to the development of products capable of boosting human immunity. Capitalizing on this unique application, a series of nutraceutical and pharmaceutical products targeted at enhancing human immunity is being developed and researched by CK Life Sciences.

These products aim to strengthen a person's immune system, increasing his/her resistance to infection. For patients with serious illnesses, such as HIV/AIDS and cancer, CK Life Sciences' products are expected to enhance their immunity systems and minimize the side effects caused by other treatments for a better quality of life.



R & D



Progress

Progress in the development of human healthcare products has been faster than originally planned. CK Life Sciences has already filed patent applications for 10 nutraceutical products and two pharmaceutical products with the US Patent and Trademark Office. Laboratory tests on some of these products have been completed and human clinical trials have begun. The Group plans to commercialise these products and complete registration procedures where necessary as quickly as possible.

AIDS Treatment Products

- **Huge Market Demand**
The World Health Organization (WHO) estimates that by the end of 2002, there will be approximately 42 million people infected with HIV/AIDS. By 2010, it has been estimated that among the 126 countries in the world, there will be 45 million HIV/AIDS patients living in low-

income countries, 40% of them being in the Asia Pacific region.

New York based investment banking firm Griffin Securities estimates that the market size of HIV/AIDS treatment products will grow from the current level of US\$5 billion to more than US\$13 billion by 2007.

Despite the alarming rate of increase in the number of HIV/AIDS cases all over the world and the imminent need for a cure, no ideal treatment solutions are in the market yet. The situation is so acute that HIV/AIDS has become a serious social problem for many countries, exerting a heavy financial burden on them. The market is urgently in need of new treatment solutions and adjunct therapies that can strengthen the immune systems of patients and carriers.



- **Human Trials**

CK Life Sciences has been conducting preliminary human trials for HIV/AIDS products in the Peking Union Medical College Hospital and the Beijing You An Hospital in Beijing, China. Initial results are very encouraging. At the end of 2002, the Group established a special unit – “CK Life Sciences AIDS Research Institute” – dedicating to accelerating the research process. An initial amount of HK\$370 million has been set aside, and with additional investments to be considered when required to ensure the expedient success of the research.

The Group also has plans to launch a global research programme. Arrangements have been finalized for conducting research in collaboration with two renowned Australian institutions: Swinburne University Graduate School of Integrative Medicine, an authority on integrated medicine; and the Macfarlane Burnet Research Institute, an organization that specializes in conducting research on infectious diseases, particularly HIV/AIDS. More research will be carried out in conjunction with other medical institutions in the future. Product registration work will also be prepared for commercialisation of the product.

Cancer Treatment Product

Cancer is the world’s number one killer. The total market for cancer treatment is estimated to be about US\$15 billion per annum. According to WHO, by 2020, there will be 20 million new cancer patients every year. As there is still no product on the market that can eradicate or prevent cancer, medical institutions the world over are carrying out research to develop treatments with fewer side effects which help preserve the quality of life of cancer sufferers.

18 patent applications of the Group’s cancer products are at the final drafting stage, and will be ready for submission soon.



Directors and Senior Management

Directors' Biographical Information

LI Tzar Kuoi, Victor

aged 38, 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 is a member of the 9th Chinese People's Political Consultative Conference ("CPPCC") and has been elected a member of the Standing Committee of the 10th CPPCC on 13 March 2003. He is also a member of the Commission on Strategic Development and the Business Advisory Group for 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 56, 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 joined the Group 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 50, 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.COM 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 47, 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 58, 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 58, 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 45, 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 66, 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 59, 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 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 50, 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 the 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 60, currently serves as Chair and Chief Executive Officer of Amara International Investment Corp. Mrs. Kwok also acts as an Independent Director for several major corporations, including Air Canada, Husky Energy Inc., Bank of Montreal and Telesystems International Wireless (TIW) Inc. Mrs. Kwok currently sits on the Audit Committee of the Bank of Montreal and the Corporate Governance Committees of Air Canada and 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 the Corporate Governance Committee of Fletcher Challenge Canada Ltd. and the Audit and Corporate Governance Committees of Clarica Life Insurance Company. Mrs. Kwok was appointed an Independent Non-executive Director of the Group in June 2002.

Senior Management's Biographical Information

CHEUNG Ling Yuk, Larry

aged 48, 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 agriculture, animal husbandry, ecology, immunology, oncology 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 54, 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., lolab 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 44, 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 12 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 73, 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 49, 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 22 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 36, is the Controller, Laboratory Operations, of the Group. She graduated from China Technology and Operation Management University in Mainland China with 10 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 42, 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 42, 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.

WU Ying Jye

aged 54, 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 the early cancer detection.

Financial Summary

	Year ended 31 December		
	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000
Consolidated results summary			
Turnover	–	148	4,948
Results from operations	(137,467)	(57,896)	(60,475)
Loss attributable to shareholders	(137,491)	(57,934)	(88,895)

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

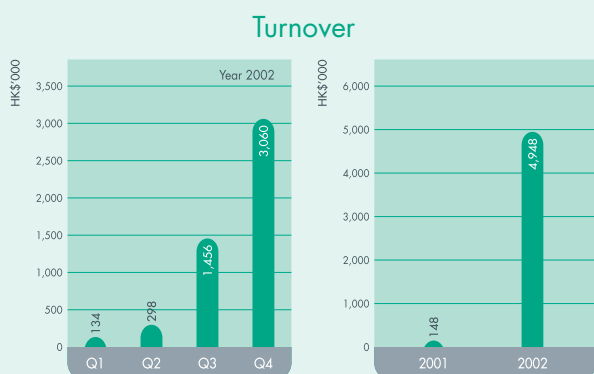
Notes:

1. Pursuant to a group reorganization in preparing for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 13 March 2002. The summary of the consolidated results for the years ended 31 December 2000, 2001 and 2002 and the consolidated balance sheet as at 31 December 2000, 2001 and 2002 were prepared on the merger accounting basis and as if the current structure of the Group had been in existence throughout these financial years.
2. As the Company has only become the holding company of the Group since 13 March 2002, no audited consolidated financial statements for the Group had been prepared before 31 December 2001. The consolidated results of the Group for the years ended 31 December 2000 and 2001 were extracted from the Accountants' Report of the Company's prospectus dated 4 July 2002.

Financial Review

Turnover

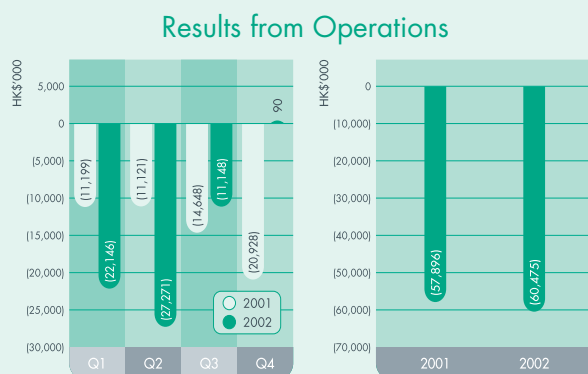
The Group made good progress in expanding its distribution network and increasing sales for its eco-fertilizer products for the year ended 31 December 2002. In addition to the distributor in Thailand which was appointed in 2001, the eco-fertilizer market now also covers Australia, Mainland China, Hong Kong, Macau, Indonesia, Malaysia, Myanmar, the Philippines, South Korea, and the United States. Continuing with the upward trend for the first three quarters of 2002, the turnover of the Group amounted to approximately HK\$3,060,000 in the last quarter. On a full year basis, the total amount of turnover is approximately HK\$4,948,000 for the year 2002 while that for year 2001 is approximately HK\$148,000.



Results from Operations

For the years ended 31 December 2001 and 2002, the total operating losses were approximately HK\$57,896,000 and HK\$60,475,000 respectively. Despite the operating loss for the year ended 31 December 2002 being slightly higher than that of 2001, the operating results of the Group have shown significant improvement starting from the third

quarter of the year 2002. With the expanded distribution and increased sales of eco-fertilizer products as well as strong income derived from treasury investments, the operating loss had been narrowed down to approximately HK\$11,148,000 in the third quarter of 2002, which is about 24% better than that of approximately HK\$14,648,000 in the same quarter of 2001. When compared to the operating loss of approximately HK\$27,271,000 in the second quarter of 2002, the improvement is even more evident with about 59% reduction. Carrying on with this favourable trend, the Group successfully achieved its operating results at the breakeven level in the last quarter of 2002 and recorded a small operating profit of approximately HK\$90,000.



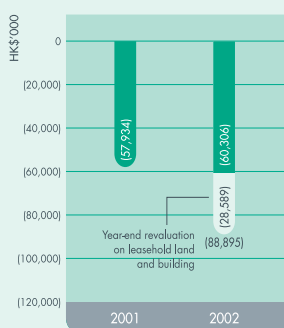
Loss Attributable to Shareholders

In the year 2002, the Group had revalued the leasehold land and building in Tai Po Industrial Estate where its office and research and development facilities are located. The revaluation resulted in a deficit of approximately HK\$28,589,000. This deficit was incorporated in the results of the Group for the year 2002 and is a one-off adjustment for the year.

Financial Review (Cont'd)

Prior to the incorporation of the above one-off adjustment in the results for the year 2002, the loss attributable to shareholders was approximately HK\$60,306,000, which is about 4% higher than that of approximately HK\$57,934,000 in the year 2001. When the one-off adjustment is taken into account, such loss amounted to approximately HK\$88,895,000, representing an increase of about 53% over that of approximately HK\$57,934,000 in the previous year.

Loss Attributable to Shareholders



Financial Resources, Liquidity and Treasury Policies

After the listing of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in July 2002, the financial and liquidity position of the Group has been strongly strengthened with the net proceeds of approximately HK\$2,500,000,000 from the share placing and initial public offer (the "IPO").

As at 31 December 2002, the Group had net current assets of approximately HK\$324,712,000, of which approximately HK\$270,721,000 were cash and bank balances. The current ratio of the Group, which is a ratio of current assets to current liabilities, was at the level of 14 to 1 at the end of the year 2002. This indicates that the Group was in a very liquid financial position and was capable of meeting its obligations.

Ever since its establishment in 2000, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Basically, the Group has been financing its operations and investing activities from its own resources. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any charges or mortgages.

The Group's treasury activities have been centralized for more effective cost control and efficient risk management. Funds from the IPO which are yet to be utilized per the "Use of Proceeds" of the prospectus of the Company dated 4 July 2002 (the "Prospectus") have been placed in either deposits or financial instruments in order to generate higher yield for the Group. During the year under review, the Group received a total of approximately HK\$76,582,000 income from such deposits and financial instruments.

In short, the Group has maintained a very healthy and sound liquidity position. Going forward, the Group's abundant financial resources will enable it to satisfy its future development and working capital requirements.

Material Acquisitions/Disposals and Significant Investments

Throughout the year in 2002, the Group did not make any material acquisitions or disposals other than those disclosed in the paragraphs headed "Reorganisation" under Appendix IV of the Prospectus. As mentioned above, part of the IPO proceeds that has yet to be utilized was invested in financial instruments such as bonds and notes. These investments amounted to approximately HK\$2,244,404,000 at the end of the year.

Capital Commitments and Future Plans for Material Investments or Capital Assets

At the end of year under review, the Group has capital commitments of about HK\$9,529,000 in respect of the purchase of laboratory instruments, plant and equipment. These commitments or plans for investments in capital assets synchronized with the business objectives and use of proceeds as stated in the Prospectus. Details of the capital commitments are set out in Note 24 of the Notes to Financial Statements.

Exposure on Exchange Rate Fluctuation

Most of the income and expenditure of the Group were denominated either in Hong Kong dollars or United States dollars. In view of the stability of the exchange rate between these two currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purposes.

Information on Employees

As of 31 December 2002, the Group had a total of 161 employees, the majority of whom were engaged in research and development and business development activities. The total staff costs, including directors' emoluments and the staff costs which have been capitalized, amounted to approximately HK\$82,340,000 for the year under review. At the end of February 2003, the total staff number of the Group including overseas operations and joint venture companies exceeded 200.

The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a provident fund and a medical plan. The Company also adopted a share option scheme as an added incentive for its employees. Since its adoption, the Company has granted two lots of share options, in September 2002 and January 2003, which will allow its employees to purchase shares of the Company at the prices of HK\$1.598 and HK\$1.446 within the periods from 30 September 2003 to 29 September 2012 and 27 January 2004 to 26 January 2013 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 2002 or as at 31 December 2001.

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 2002.

Group Reorganization

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 13 March 2002. Details of the Reorganization were set out in the Company's prospectus dated 4 July 2002 (the "Prospectus").

The shares of the Company have been listed on the GEM of the Stock Exchange since 16 July 2002.

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 2002 are set out in the consolidated income statement on page 55.

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 11 to the financial statements.

Share Capital

Movements in share capital of the Company during the year are set out in note 19 to the financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

Directors

The Directors of the Company are listed on page 84. The Directors' biographical information is set out on pages 32 to 34.

Report of the Directors (Cont'd)

In accordance with the Company's Articles of Association, Mr. Li Tzar Kuoi, Victor, Mr. Yu Ying Choi, Alan Abel, Dr. Pang Shiu Fun, Dr. Chu Kee Hung, Mr. Lam Hing Chau, Leon, Mr. Kwan Chiu Yin, Robert, Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard and Mrs. Kwok Eva Lee 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.

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.

Directors' Interests

As at 31 December 2002, the interests of the Directors and their respective associates in the securities of the Company and its associated corporations as required to be recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(1) Shares of the Company

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

Report of the Directors (Cont'd)

Notes:

- Such 2,820,008,571 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of Cheung Kong Holdings and thus is taken to be interested in those 2,820,008,571 shares held by the subsidiary of Cheung Kong Holdings under the SDI Ordinance.
- Such shares are held by a company owned by Mr. Kwan Chiu Yin, Robert.

(2) Options to subscribe for shares of the Company

Pursuant to the share option scheme adopted by the Company on 26 June 2002 (the "Scheme"), certain Directors were granted share options to subscribe for shares of the Company, details of which as at 31 December 2002 were as follows:

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

Save as disclosed above, during the year ended 31 December 2002, 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 27 January 2003, 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	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
Pang Shiu Fun	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
Chu Kee Hung	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
Lam Hing Chau, Leon	27/1/2003	480,000	27/1/2004 – 26/1/2013	1.446

Save as disclosed above, none of the Directors or their respective associates had, as at 31 December 2002, any interests in the securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

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.

(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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Report of the Directors (Cont'd)

(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 Prospectus.

(2) Details of options granted by the Company

- (a) As at 31 December 2002, options to subscribe for 4,186,000 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 as at 31 December 2002 were as follows:

Date of grant	Number of share options					Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2002	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding as at 31 December 2002		
30/9/2002	–	4,226,000 (Note 1)	–	40,000	4,186,000	30/9/2003 – 29/9/2012 (Note 2)	1.598 (Note 3)

Report of the Directors (Cont'd)

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 2002 were as follows:

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

- (b) On 27 January 2003, options to subscribe for 9,628,000 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:

Date of grant	Number of share options granted	Option period	Subscription price per share HK\$
27/1/2003	9,628,000 (Note 1)	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 on 27 January 2003 were as follows:

Date of grant	Number of share options granted	Option period	Subscription price per share HK\$
27/1/2003	580,000 (Note 1)	27/1/2004 – 26/1/2013 (Note 4)	1.446 (Note 5)

Report of the Directors (Cont'd)

Notes:

1. HK\$1.00 has been received by the Company from each participant as consideration for the grant.
2. 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.
3. The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$1.49.
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.

Substantial Shareholders

As at 31 December 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors:

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

Notes:

- i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SDI Ordinance.
- ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SDI Ordinance.
- iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. More than one-third of the issued share capital of TUT and of the trustees of the discretionary trusts mentioned above are owned by Li Ka-Shing Unity Holdings Limited. Under the SDI Ordinance, each of TUT as trustee of the LKS Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Holdings Limited is deemed to be interested in the same block of shares as Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.
- iv. Trueway International Limited ("Trueway") is wholly-owned by Tangiers Enterprises Limited ("Tangiers") and Tangiers is deemed to be interested in a total of 1,880,005,715 shares under the SDI Ordinance, being the aggregate of the shares in which Trueway was interested as shown against the name Trueway above and the 470,001,429 shares held by Triluck Assets Limited (another company wholly-owned by Tangiers).

Report of the Directors (Cont'd)

- v. This represents the aggregate of the blocks of shares in the Company in which Tangiers and Cheung Kong Holdings are respectively deemed to be interested under the SDI Ordinance. As Mr. Li Ka-shing owns more than one-third of the issued share capital of Tangiers and Li Ka-Shing Unity Holdings Limited, under the SDI Ordinance Mr. Li Ka-shing is deemed to be interested in the same number of shares in which both Tangiers and Cheung Kong Holdings are deemed to be interested as mentioned above.

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

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, medical, 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.

Connected Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2002, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in note 27 to the financial statements.

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 has entered into certain connected transactions ("Connected Transactions") under an agreement dated 26 June 2002 ("Production Services Agreement") between Beijing WonderGrow Biotech Inc. ("Beijing WonderGrow"), a subsidiary of Cheung Kong (Holdings) Limited, a substantial shareholder of the Company and the Group. Pursuant to the Production Services Agreement, Beijing WonderGrow has 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 ("Waiver"), the annual cap for the Connected Transactions cannot exceed HK\$12,000,000 in the year ended 31 December 2002 and HK\$30,000,000 in the year ending 31 December 2003.

Pursuant to the Waiver, the Connected Transactions have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that the Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable than those available to or from independent third parties; (iii) in accordance with the Production Services Agreement governing the Connected Transactions; and (iv) 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 2002 the Connected Transactions (i) have been reviewed by and have received the approval of the Board; (ii) are in accordance with the pricing policies of the Company; (iii) have been entered into in accordance with the Production Services Agreement governing the Connected Transactions; and (iv) have not exceeded the relevant cap referred to 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.

Major Customers and Suppliers

During the year, 76.65% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 31.76% of the Group's turnover. The Group's purchases attributable to the Group's five largest suppliers were less than 30%. 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.

Community Relations

During the year, the Group supported a wide variety of charities and activities beneficial to the community. Donations made by the Group during the year amounted to approximately HK\$650,000.

Sponsor's Interests

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

As notified to the Company by SSB, as at 31 December 2002, neither SSB, its directors, employees nor their associates had any interests in any securities of the Company or any of its associated corporations.

Board Practices and Procedures

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002, 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 has established an audit committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two Independent Non-executive Directors of the Company, namely 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.

The audit committee has met 3 times since the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002.

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

On behalf of the Board
Li Tzar Kuoi, Victor
Chairman

Hong Kong, 6 March 2003

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 55 to 79 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.

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 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 6 March 2003

Consolidated Income Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	3	4,948	148
Cost of sales		(3,533)	(103)
Gross profit		1,415	45
Other revenue	5	76,582	14
Staff costs	6	(67,376)	(31,250)
Depreciation		(17,498)	(6,615)
Amortization of intangible assets		(685)	(53)
Other operating expenses		(52,913)	(20,037)
Loss from operations	7	(60,475)	(57,896)
Deficit on revaluation of leasehold land and building		(28,589)	–
Loss before taxation		(89,064)	(57,896)
Taxation	8	52	(38)
Loss before minority interest		(89,012)	(57,934)
Minority interests		117	–
Loss attributable to shareholders		(88,895)	(57,934)
Dividends	9	–	–
Loss per share – Basic (Hong Kong cents)	10	(1.56 cents)	(1.14 cents)

Balance Sheet

As at 31 December 2002

	Notes	The Group		The Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non-current assets					
Fixed assets	11	186,819	196,895	-	-
Intangible assets	12	64,708	35,398	-	-
Interests in subsidiaries	13	-	-	2,936,551	-
Investments in securities	14	1,949,880	-	-	-
Other investments		268,316	-	-	-
		2,469,723	232,293	2,936,551	-
Current assets					
Inventories	15	3,109	3,321	-	-
Other investments		26,208	-	-	-
Receivables and prepayments	16	49,596	3,635	186	9
Amounts due from fellow subsidiaries		-	-	-	420,991
Bank balances and cash		270,721	6,456	156	-
		349,634	13,412	342	421,000
Current liabilities					
Payables and accruals	17	(24,922)	(20,074)	(1,042)	-
Provision for taxation		-	(42)	-	-
		(24,922)	(20,116)	(1,042)	-
Net current assets/(liabilities)		324,712	(6,704)	(700)	421,000
Total assets less current liabilities		2,794,435	225,589	2,935,851	421,000
Non-current liability					
Amount due to immediate holding company	18	-	(421,014)	-	(421,014)
Minority interests		(351)	-	-	-
Total net assets/(liabilities)		2,794,084	(195,425)	2,935,851	(14)
Capital and reserves					
Share capital	19	640,700	-	640,700	-
Share premium and reserves	20	2,153,384	(195,425)	2,295,151	(14)
Total shareholders' funds/(deficit)		2,794,084	(195,425)	2,935,851	(14)

Li Tzar Kuoi, Victor

Director

6 March 2003

Ip Tak Chuen, Edmond

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
2001					
At 1 January 2001	–	–	–	(137,491)	(137,491)
Loss for the year	–	–	–	(57,934)	(57,934)
At 31 December 2001	–	–	–	(195,425)	(195,425)
2002					
At 1 January 2002	–	–	–	(195,425)	(195,425)
Surplus on revaluation of investments in securities	–	–	46,042	–	46,042
Capitalization of loan due to immediate holding company	7	522,151	–	–	522,158
Share issue on capitalization of share premium	509,993	(509,993)	–	–	–
Net proceeds from issue of shares	130,700	2,379,504	–	–	2,510,204
Loss for the year	–	–	–	(88,895)	(88,895)
At 31 December 2002	640,700	2,391,662	46,042	(284,320)	2,794,084

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 HK\$'000	2001 HK\$'000
Operating activities		
Loss before taxation	(89,064)	(57,896)
Amortization of intangible assets	685	53
Depreciation	17,498	6,615
Loss on disposal of fixed assets	2,871	–
Interest income	(68,644)	(14)
Deficit on revaluation of leasehold land and building	28,589	–
Gain on disposal of investments in securities	(3,675)	–
Operating loss before working capital changes	(111,740)	(51,242)
Decrease /(increase) in inventories	212	(204)
(Increase)/decrease in receivables and prepayments	(5,263)	3,737
Increase/(decrease) in payables and accruals	7,157	(24,388)
Hong Kong Profits Tax refunded/(paid)	10	(20)
Net cash used in operating activities	(109,624)	(72,117)
Investing activities		
Purchases of fixed assets	(43,893)	(52,577)
Purchases of investments in securities	(2,336,759)	–
Purchases of other investments	(310,586)	–
Expenditure on intangible assets	(27,297)	(28,103)
Proceeds from disposal of fixed assets	4	–
Proceeds from disposal of investments in securities	436,596	–
Proceeds from maturity of other investments	16,062	–
Interest received	27,946	14
Net cash used in investing activities	(2,237,927)	(80,666)

Consolidated Cash Flow Statement (Cont'd)

For the year ended 31 December 2002

	2002 HK\$'000	2001 HK\$'000
Financing activities		
Advances from immediate holding company	101,144	158,841
Issue of shares	2,614,000	–
Share issue expenses	(103,796)	–
Contribution by minority shareholder of a subsidiary	468	–
Net cash from financing	2,611,816	158,841
Net increase in cash and cash equivalents	264,265	6,058
Cash and cash equivalents at beginning of the year	6,456	398
Cash and cash equivalents at end of the year	270,721	6,456
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	270,721	6,456

Notes to Financial Statements

1. Organization and Operations

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 July 2002.

Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 13 March 2002. Details of the Reorganization are set out in the Company's prospectus dated 4 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.

The results of the Group for the year ended 31 December 2002 and the corresponding preceding year have been prepared on the merger accounting basis in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants and as if the current structure of the Group had been in existence throughout the financial years.

Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2002.

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.

2. Significant Accounting Policies (Cont'd)

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.

Revaluation changes in the value 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 the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits/losses.

The gain or loss arising on the 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 or valuation 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%
Furniture, fixtures and other equipment	20%–33 $\frac{1}{3}$ %

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.

2. Significant Accounting Policies (Cont'd)

Intangible assets (Cont'd)

(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.

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 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.

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.

2. Significant Accounting Policies (Cont'd)

Foreign currencies

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 overseas subsidiaries which are denominated 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 taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognized in the income statements. The tax effect of timing differences, computed using the liability method, is recognized as deferred taxation in the income statements and balance sheets to the extent that it is probable that a liability or an asset will crystallize in the foreseeable future.

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.

Retirement benefit costs

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

3. Turnover

Turnover represents the net amounts received and receivable for sales of a range of environmental friendly fertilizers.

4. Business and Geographical Segments

The Group is at its start up stage and was engaged in the sale of one single product during the year. As more product lines will be launched in the future, the Group has determined that business segments be presented as the primary reporting format and geographic segments as the secondary reporting format.

(a) Business segments

No analysis of the business segments is presented as the Group was only engaged in the sale of one single product (i.e. eco-fertilizer) during the year.

(b) Geographical segments

An analysis of the Group's turnover by geographical segments for the year ended 31 December 2002 is as follows:

	HK\$'000
Mainland China	1,644
Malaysia	1,579
Other Asian countries	324
Australia	983
United States	418
	4,948

The Group's turnover was derived entirely from the sales of fertilizers to Thailand for the year ended 31 December 2001.

5. Other Revenue

Other revenue included:

	2002 HK\$'000	2001 HK\$'000
Interest income from bank	12,145	14
Interest income from investments in securities		
– Listed	18,939	–
– Unlisted	33,267	–
Interest income from other investments		
– Unlisted	4,293	–
Gain on disposal of investments in securities	3,675	–

6. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contribution and recruitment costs for the year amounted to HK\$82,340,000 (2001: HK\$49,156,000) of which HK\$14,964,000 (2001: HK\$17,906,000) relating to development activities was capitalized.

Staff costs also include the operating lease rentals of HK\$959,000 (2001: HK\$879,000) in respect of accommodation provided to staff.

7. Loss from Operations

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	369	42
Research and development expenditure	60,800	41,902
Less: Amounts capitalized as development costs	26,753	32,004
	34,047	9,898
Amortization of development costs	552	43
	34,599	9,941
Amortization of patents	133	10
Loss on disposal of fixed assets	2,871	-

8. Taxation

No provision for Hong Kong Profits Tax was made as there was no assessable profit for the year. The credit balances represent the over provision of taxation of prior year. Hong Kong Profits Tax of last year is calculated at 16% on the estimated profit for last year.

9. Dividends

The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2002.

10. Loss per Share

The calculation of the basic loss per share for the year is based on loss attributable to shareholders of HK\$88,895,000 (2001: loss of HK\$57,934,000) and the weighted average number of 5,705,158,904 shares (2001: 5,100,000,000 shares) in issue which is calculated assuming that the capitalization issue of 5,100,000,000 shares as described in note 19 is deemed to have been in issue throughout the relevant accounting periods.

Diluted loss per share is not presented because the effect on the exercise of the share options granted by the Company is anti-dilutive.

11. Fixed Assets

	Leasehold land and building HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other equipment HK\$'000	Total HK\$'000
The Group				
Cost or valuation				
At 1 January 2002	148,643	33,036	29,557	211,236
Additions	2,184	30,486	8,914	41,584
Disposal	(851)	(821)	(2,011)	(3,683)
Deficit on revaluation	(34,976)	–	–	(34,976)
At 31 December 2002	115,000	62,701	36,460	214,161
Comprising:				
Cost	–	62,701	36,460	99,161
Valuation	115,000	–	–	115,000
	115,000	62,701	36,460	214,161
Depreciation				
At 1 January 2002	3,193	5,132	6,016	14,341
Provided for the year	3,226	10,252	6,718	20,196
Eliminated on disposal	(32)	(157)	(619)	(808)
Eliminated on revaluation	(6,387)	–	–	(6,387)
At 31 December 2002	–	15,227	12,115	27,342
Net book value				
31 December 2002	115,000	47,474	24,345	186,819
31 December 2001	145,450	27,904	23,541	196,895

11. Fixed Assets (Cont'd)

The land was leased from Science and Technology Parks Corporation at Tai Po for a period up to 27 June 2047. Upon the listing of the Company on the GEM of the Stock Exchange in July 2002, the Group has changed to state the leasehold land and building from cost to the revalued amount in order to comply with the then GEM Listing Rules requirement. On 31 December 2002, the leasehold land and building were revalued by the Directors on an open market basis with reference to valuation as at 30 April 2002 by DTZ Debenham Tie Leung ('DTZ'), an independent professional valuer. The Directors' valuation as at 31 December 2002 was the same as 30 April 2002 since they estimated that the open market value of the leasehold land and building was not materially different from DTZ's valuation. The deficit arising from the revaluation was incorporated into the financial statements of the Group for the year ended 31 December 2002. Last year the land and building were stated at cost less depreciation.

Had the leasehold land and building been carried at historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK\$143,589,000 (2001: HK\$145,450,000).

12. Intangible Assets

	Development costs	Patents	Total
	HK\$'000	HK\$'000	HK\$'000
The Group			
Cost			
At 1 January 2002	32,004	3,447	35,451
Additions	26,753	3,242	29,995
At 31 December 2002	58,757	6,689	65,446
Amortization			
At 1 January 2002	43	10	53
Provided for the year	552	133	685
At 31 December 2002	595	143	738
Net book value			
At 31 December 2002	58,162	6,546	64,708
At 31 December 2001	31,961	3,437	35,398

13. Interests in Subsidiaries

	The Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments in subsidiaries	1	–
Amounts due from subsidiaries	2,936,550	–
	2,936,551	–

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

14. Investments in Securities

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Non trading debt securities:		
Listed overseas at market value	638,731	–
Unlisted	1,311,149	–
	1,949,880	–

15. Inventories

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	1,935	3,277
Finished goods	1,174	44
	3,109	3,321

16. Receivables and Prepayments

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade receivables	2,150	148	-	-
Other receivables, deposits and prepayments	47,446	3,487	186	9
	49,596	3,635	186	9
Trade receivables Aged 0 to 90 days	2,150	148	-	-

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade creditors	2,687	158	-	-
Other payable and accrued charges	22,235	19,916	1,042	-
	24,922	20,074	1,042	-
Trade creditors Aged 0 to 90 days	2,687	158	-	-

18. Amount due to Immediate Holding Company

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

19. Share Capital

	Number of shares of HK\$ 0.10 each	Nominal value HK\$'000
Authorized	15,000,000,000	1,500,000
Issued and fully paid	6,407,000,000	640,700

The changes in the Company's authorized and issued share capital during the period from 10 August 2001 (date of incorporation) to 31 December 2002 are detailed below:

- a. As at the date of incorporation of the Company, the authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each and 1 share was allotted and issued at par.
- b. On 22 April 2002, the following changes took place:
 - the Company re-denominated and increased its authorized share capital from US\$50,000 to an aggregate of (a) US\$50,000 and (b) HK\$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK\$0.10 each;
 - 78 new shares of HK\$0.10 each were issued for cash at par. The 1 share of US\$1.00 previously in issue was repurchased by the Company at a price equal to the proceeds of the issue of the 78 shares;
 - the 50,000 shares of US\$1.00 each authorized but unissued was cancelled; and
 - additional 22 new shares of HK\$0.10 each were issued for cash at par.
- c. On 14 June 2002, the authorized capital of the Company was increased from HK\$1,000,000,000 to HK\$1,500,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.10 each.
- d. On 17 June 2002, shareholders' loans of approximately HK\$522,158,000 was capitalized by the issue of 69,900 new shares of HK\$0.10 each at a premium of approximately HK\$522,151,000.
- e. In connection with the listing of the Company's shares on the GEM of the Stock Exchange on 16 July 2002:
 - a sum of HK\$509,993,000 standing to the credit of the share premium account was applied in paying up 5,099,930,000 new shares of HK\$0.10 each at par.
 - 1,307,000,000 new shares of HK\$0.10 each were issued at HK\$2.00 per share by way of placing and public offer. The Group intended to use the net proceeds from the shares issued for business development and expansion and general working capital.

20. Share Premium and Reserves

	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group				
2001				
At 1 January 2001	–	–	(137,491)	(137,491)
Loss for the year	–	–	(57,934)	(57,934)
At 31 December 2001	–	–	(195,425)	(195,425)
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

20. Share Premium and Reserves (Cont'd)

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
The Company			
2001			
At 1 January 2001	–	–	–
Loss for the year	–	(14)	(14)
At 31 December 2001	–	(14)	(14)
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

21. 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 share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

In September 2002, the Company granted options to certain continuous contract employees (including certain Executive Directors of the Company) to subscribe for 4,226,000 shares of the Company at a subscription price of HK\$1.598 per share with exercisable period from 30 September 2003 to 29 September 2012 for a total consideration of HK\$139. During the year, options to subscribe for 40,000 shares were lapsed and the outstanding balance as at year-end was 4,186,000 shares. No charge was recognized in the income statement in respect of the value of options granted in the year. Details of the vesting period for the options are as follows:

- (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.

In January 2003, the Company granted another lot of share options to allow certain continuous contract employees (including certain Executive Directors of the Company) to subscribe for 9,628,000 shares at a subscription price of HK\$1.446 per share with exercisable period from 27 January 2004 to 26 January 2013 for a total consideration of HK\$149 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.

The exercisable periods for the above share options have not yet commenced.

22. Deferred Taxation

Potential deferred taxation assets/(liabilities) which have not been provided for in the financial statements are as follows:

	The Group			
	For the year		As at 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences arising because of:				
Excess of tax allowance over depreciation charges	3,500	4,000	(17,000)	(13,500)
Other timing differences	3,500	4,000	(7,500)	(4,000)
Tax losses un-utilized	(26,500)	(17,000)	58,000	31,500
	(19,500)	(9,000)	33,500	14,000

A net deferred taxation asset has not been recognized in the financial statements as it is not certain that the asset will be crystallized in the foreseeable future.

23. Operating Lease Commitment

Analyses of future minimum lease charges payable by the Group under non-cancellable operating leases in respect of rented premises at the balance sheet date are as follows:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Future minimum lease charges payable		
Within one year	1,202	869
In the second to fifth years	-	111
	1,202	980

Leases are negotiated for a term ranging from one to two years and rentals are fixed for an average of one year.

24. Capital Commitment

	The Group	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of laboratory instrument, plant and equipment		
– authorized but not contracted for	–	–
– contracted but not provided for in the financial statements	9,529	2,682
	9,529	2,682

25. Retirement Benefits Scheme

The Company and its subsidiaries operating in Hong Kong have joined a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the ORSO Scheme) or the Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance. The Group contributes 10% of the basic salary and 5% of the relevant income of staff members under the ORSO Scheme and the MPF Scheme respectively. The assets of the Schemes are held separately from those of the Group, in funds under the control of trustee.

The Group's contribution to these schemes for the year was HK\$5,285,000 (2001: HK\$3,551,000) and forfeited contribution during the year of HK\$1,009,000 (2001: HK\$330,000) was used to reduce the Group's contribution in the year.

26. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

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

	2002 HK\$'000	2001 HK\$'000
Directors' fees	325	–
Salaries and other benefits	18,831	10,095
Bonus	2,865	1,125
Retirement benefits scheme contributions	1,249	989
	23,270	12,209

Remuneration paid to the employees, who became Directors of the Group upon the Reorganization of the Group in 2001 are included under Directors' emoluments on the basis as if they have been appointed Directors since 1 January 2001.

The Directors' fees include HK\$100,000 (2001: nil) paid to the Independent Non-executive Directors of which HK\$50,000 (2001: nil) are fees for their participation in the Company's Audit Committee during the year.

The Executive Director respectively received emoluments for the year ended 31 December 2002 as follows: 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 (2001: nil, nil, nil, HK\$263,000, HK\$5,477,000, HK\$4,041,000 and HK\$2,428,000).

None of the Directors waived any emoluments in the year ended 31 December 2002. No incentive was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

(a) Directors' emoluments (Cont'd)

The remuneration of the Directors was within the following bands:

	2002 No of individuals	2001 No of individuals
nil to HK\$1,000,000	1	4
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	2	1
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–
	7	7

(b) Senior executives' remuneration

Of the five individuals with the highest emoluments, four (2001: 3) of them are Directors whose emoluments are disclosed in note (a). The emoluments of the remaining one (2001: 2) individual are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	3,395	4,316
Bonus	500	286
Retirement benefits schemes contributions	240	334
	4,135	4,936

No incentive was paid by the Group to the senior executive as inducements to join or upon joining the Group for the two years.

27. Related Party Transactions

- (a) During the year, the Group made purchases from Beijing WonderGrow Biotech Inc., a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") which is a substantial shareholder of the Company amounting to approximately HK\$5,178,000 (2001: HK\$124,000).
- (b) In previous years, the Group obtained unsecured interest-free advances from Cheung Kong Holdings for financing the Group's operation. The amount of HK\$522,158,000 due to Cheung Kong Holdings at 17 June 2002 was fully capitalized as disclosed in note 18.
- (c) On 10 May 2002, subsidiaries of Cheung Kong Holdings, CK Life Sciences Laboratory Limited and Bio-World Holdings Limited, transferred their businesses to a subsidiary of the Group, CK Biotech Laboratory Limited at their respective book values.

28. Approval of Financial Statements

The financial statements reported in Hong Kong dollars and set out on pages 55 to 79 were approved and authorized for issue by the board of Directors on 6 March 2003.

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 BioAge EcoSciences Inc.	China	US\$1,000,000*	100	Trading of biotechnology products
Beijing Green Vision EcoSciences Inc.	China	US\$300,000*	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
PT Far East Agritech	Indonesia	US\$150,000	60	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 BioAge EcoSciences Inc.	Mainland China
Beijing Green Vision EcoSciences Inc.	Mainland China
Biocycle Resources Limited	Australia, Asia and America
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
PT Far East Agritech	Indonesia
Ultra Biotech Limited	Isle of Man

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

Comparison of the Business Objectives with the Actual Business Progress

The following is a summary of the actual progress made in comparison with the business objectives as per the Company's prospectus dated 4 July 2002 (the "Prospectus") up to 31 December 2002:

Business Objectives	Actual Business Progress
Product Objectives	
<i>Eco-agriculture – Fertilizer</i>	
<ul style="list-style-type: none"> Appoint distributors and/or partners and launch NutriSmart in Malaysia, Indonesia, the Philippines, Taiwan and Vietnam 	<ul style="list-style-type: none"> Agricultural Chemicals (M) Sdn Bhd appointed as distributor in Malaysia Joint venture formed with the Lippo Group in Indonesia Negotiation with potential distributor in the Philippines continuing Distributor in Taiwan appointed and pre-sale trial started Negotiations with potential distributors in Vietnam continuing Distribution agreement concluded with Wilbur-Ellis in the United States; started discussions with another distributor on the east coast of the United States Joint venture formed with Red Sun Group in Mainland China
<ul style="list-style-type: none"> Negotiate commercial arrangements on fertilizer distribution and sales in Mainland China 	Completed commercial negotiations and started the fertilizer sales in Mainland China in the fourth quarter of 2002
<ul style="list-style-type: none"> Continue pre-sale trials in the United States, Europe and Asia 	Pre-sale trials arranged in several eastern states in the United States, the Netherlands and South Korea
<ul style="list-style-type: none"> File new patent applications 	2 new patents granted; 2 Notices of Allowance received; 2 patent applications pending issuance of Notice of Allowance; and 4 applications in drafting stage
<ul style="list-style-type: none"> Submit application for product registration in Vietnam 	Conditional product registration in Vietnam granted in September
<i>Eco-agriculture – Animal feed additives</i>	
<ul style="list-style-type: none"> Continue research and development and preparation for marketing 	<ul style="list-style-type: none"> Research and development continuing Developed product promotional materials Produced product samples
<ul style="list-style-type: none"> Launch AgiPro and commence pre-sale trials in Mainland China and Taiwan 	Conducted pre-sale trials of AgiPro with leading poultry integrator in Taiwan; follow-up pre-sale trials in Mainland China
<ul style="list-style-type: none"> File new patent applications 	13 patent applications pending issuance of Notice of Allowance; and 5 applications in drafting stage
<i>Bioremediation</i>	
<ul style="list-style-type: none"> Launch WonderTreat and begin pre-sale trials in Australia, Canada, Hong Kong and the United States 	Pre-sale trials of WonderTreat in Australia, Canada, Hong Kong, the United States and Mainland China started
<ul style="list-style-type: none"> Market research on and preparation for sales in Australia, Canada, Hong Kong and the United States 	Market research undertaken in Australia, Canada, Hong Kong, the United States and Mainland China
<ul style="list-style-type: none"> File new patent applications 	2 more new patents granted, totalling 5 patents for this product category; 3 patent applications pending issuance of Notice of Allowance; and 7 applications in drafting stage
<i>Pharmaceuticals</i>	
<ul style="list-style-type: none"> Continue product research and development on selected applications 	<ul style="list-style-type: none"> Product research and development continued on AIDS and cancer products Continued product trials of AIDS products in the hospitals of Mainland China Preliminary product trials for AIDS products arranged in Australia
<ul style="list-style-type: none"> Begin pre-clinical studies and safety trials 	Pre-clinical trial and/or safety trials continuing in Mainland China, Hong Kong and the United States
<ul style="list-style-type: none"> File new patent applications 	2 new patent applications filed and pending issuance of Notice of Allowance; the remaining 48 applications in drafting stage

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

<i>Nutraceuticals</i>	
• Continue product research and development	Product research and development continuing with some of the products at the stage of prototypes; made preparation for conducting safety tests
• Market research on and preparation for sales in key Asian markets including packaging and market positioning	Started market research and preparation for sales in Mainland China, Hong Kong and Australia
• Commence negotiations with potential distributors	Started discussions with a potential distributor
• File new patent applications	10 new patent applications filed and pending issuance of Notice of Allowance
<i>Dermatologicals</i>	
• Continue research and development	Research and development continuing
• Draft and submit patent applications	5 patent applications in drafting stage
Production Facilities and Human Resources	
• Explore local manufacturing opportunities	Drew up a short list of candidates for local manufacturing in Australia; started earnest negotiations with one candidate and made preparation for trial run
• Expand manufacturing facility at Tai Po Industrial Estate in Hong Kong	Expanded the facility in Tai Po for the manufacturing of activated yeasts; further expansion has been underway for other products manufacturing
• Continue to recruit scientists and business development personnel, with a target of 200 staff by 31 December 2002	At the end of December 2002, total staff number increased to 161 with the majority being scientists and business development personnel. At the end of February 2003, the total staff number of the Group including overseas operations and joint venture companies exceeded 200.

Use of Proceeds

The Group raised net proceeds of approximately 2.5 billion upon listing of the Company's shares on GEM of the Stock Exchange. Up to 31 December 2002, the Group applied approximately HK\$140 million for its business expansion as well as research and development activities. Details of the use of proceeds are as follows:

- Research and development
 - Approximately HK\$32 million for core research and development activities
 - Approximately HK\$23 million for trials on potential pharmaceuticals products
 - Approximately HK\$3 million for patent applications
- Approximately HK\$42 million for expansion of manufacturing and research and development facilities
- Approximately HK\$40 million for market development, brand building, sales and marketing

The actual application of the proceeds was in line with the business objectives and the projections as stated under the sections "Statement of Business Objectives and Strategies" and "Use of Proceeds" in the Prospectus save and except some minor variances. Such variances were mainly due to timing difference in the fund application. The balance of the unused proceeds was placed in deposits and financial instruments. The Group will continue to pursue the business objectives and to apply the proceeds accordingly.

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, 22 May 2003 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2002.
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 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, 6 March 2003

Notes:

- a. 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.
- b. The Register of Members will be closed from Thursday, 15 May 2003 to Thursday, 22 May 2003, 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, 14 May 2003.
- c. 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 purposes 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").
- d. 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 a circular to be enclosed with the 2002 Annual Report.

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

Salomon Smith Barney Hong Kong Limited

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Sumitomo Mitsui Banking Corporation

Citibank, N.A.

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 our 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, Quarterly 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 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) 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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