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)

Placing and Public Offer

Global Co-ordinator,
Sponsor and Lead Manager

SALOMON SMITH BARNEY

A member of citigroup

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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

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PLACING AND PUBLIC OFFER

Number of Offer Shares under the Share Offer	**:**	**1,307,000,000 Shares (subject to Over-allotment Option adjustment)**
Number of Placing Shares	**:**	**1,176,300,000 (subject to Over-allotment Option adjustment)**
Number of Public Offer Shares	**:**	**130,700,000 (subject to reallocation)**
Offer Price	**:**	**not more than HK$2.00 per Share payable in full on application**
Nominal Value	**:**	**HK$0.10 each**
Stock Code	**:**	**8222**

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Global Co-ordinator, Sponsor and Lead Manager

SALOMON SMITH BARNEY

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Co-Lead Managers

BNP Paribas Peregrine
BOCI Asia Limited
CLSA / CIBC World Markets
ICEA Capital Limited
The Hongkong and Shanghai Banking Corporation Limited

Co-Managers

CEF Capital Limited
China Everbright Capital Limited
Core Pacific-Yamaichi International (H.K.) Limited
FB Gemini Securities Ltd
ING Bank N.V.
SG Securities (HK) Ltd.
South Capital Brokerage Limited
Sun Hung Kai International Limited
Worldsec International Limited

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between Salomon Smith Barney, on behalf of the Underwriters, and the Company on the IPO Pricing Date, which is expected to be on or around Thursday, 11 July 2002. The Offer Price will not be more than HK$2.00 per Offer Share and is expected to be not less than HK$1.80 per Offer Share. Salomon Smith Barney, on behalf of the Underwriters, may, with the consent of the Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for lodging applications under the Public Offer, cause to be published on the GEM Web-site and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese notice of the reduction of the Offer Price range. If, for any reason, the Offer Price is not agreed between the Company and Salomon Smith Barney, on behalf of the Underwriters, the Share Offer will not proceed. Applicants should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted, even if the Offer Price range is so reduced.

Prospective investors should note that the Share Offer will not proceed if Salomon Smith Barney, on behalf of the Underwriters, terminates the Underwriters' obligations under the Placing and Underwriting Agreement by notice in writing to the Company, in accordance with its terms and conditions, at any time prior to 8:00 p.m. on Monday, 15 July 2002 upon the occurrence of any of the events set forth in the paragraph headed "Grounds for termination" in the section headed "Underwriting".

* *For identification only*

4 July 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

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

2002

Application lists open[(1)]	11:45 a.m. on Tuesday, 9 July
Latest time to:	
• lodge **WHITE, BLUE** and **YELLOW** application forms and payment	12:00 noon on Tuesday, 9 July
• give instructions to an ESP and effect payment	12:00 noon on Tuesday, 9 July
• give electronic application instructions to HKSCC	12:00 noon on Tuesday, 9 July
Latest time for ESPs to submit Preliminary ESP Application[(2)]	1:00 p.m. on Tuesday, 9 July
Latest time for ESPs to submit Final ESP Application[(2)]	3:00 p.m. on Tuesday, 9 July
Application lists close	12:00 noon on Tuesday, 9 July
IPO Pricing Date[(3)]	on or around Thursday, 11 July
Announcement of Offer Price, the general level of indication of interests in the Placing, results of applications and basis of allotment of Shares under the Public Offer to be published on the GEM Web-site at *www.hkgem.com*, and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese on	Monday, 15 July
Despatch of refund cheques in respect of wholly or partially unsuccessful applications on[(4) (5)]	Monday, 15 July
Despatch of share certificates on[(4)]	Monday, 15 July
Dealings in the Shares on GEM to commence on	Tuesday, 16 July

All times refer to Hong Kong local time, except as otherwise stated. For details of the Share Offer, including conditions, see "Structure of the Share Offer".

Notes:

(1) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 9 July 2002, the application lists will not open on that day. Further information is set out under "How to Apply for Public Offer Shares and Reserved Shares — Effect of Bad Weather on the Opening of the Application Lists".

(2) Submission of the Preliminary ESP Application is required only if the Final ESP Application is to be submitted after 1:00 p.m. Further information is set out under "How to Apply for Public Offer Shares and Reserved Shares — How to Apply by Using an ESP".

(3) The IPO Pricing Date is expected to be on or around Thursday, 11 July 2002. If, for any reason, the Offer Price is not agreed between the Company and Salomon Smith Barney (on behalf of the Underwriters), the Share Offer will not proceed.

(4) Applicants who are applying for Shares using a **WHITE** or a **BLUE** application form or using an ESP as their agent for 1,000,000 Public Offer Shares or more and who have indicated in their relevant application forms or the applications submitted by their ESPs that they wish to collect (where relevant) refund cheques and share certificates personally from the Company's share registrar may collect (where relevant) refund cheques and share certificates personally from the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 15 July 2002. Applicants who are individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Both individuals and authorised representatives (if applicable) must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Share certificates and refund cheques not collected before 1:00 p.m. on Monday, 15 July 2002 will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant application forms. Further information is set out under "How to Apply for Public Offer Shares and Reserved Shares" and "Terms and Conditions of the Public Offer".

(5) Applicants who wish to have their allotted shares issued in the name of HKSCC Nominees for deposit into CCASS and who are applying for Shares using a **YELLOW** application form or using an ESP as their agent for 1,000,000 Public Offer Shares or more and have indicated in their relevant application forms or the application forms submitted by their ESPs that they wish to collect refund cheques, if any, in person, the procedures set out under Note (4) above will apply. Further information is set out under "How to Apply for Public Offer Shares and Reserved Shares" and "Terms and Conditions of the Public Offer".

Applicants who wish to apply by giving electronic instructions to HKSCC should refer to the section headed "How to Apply for Public Offer Shares and Reserved Shares — How to Apply by Giving Electronic Instructions to HKSCC Via CCASS".

CONTENTS

Prospective investors should rely only on the information contained in this prospectus to make their investment decisions. The Company has not authorised any person to provide prospective investors with information that is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by prospective investors as having been authorised by the Company, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

This summary aims to give an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the prospectus in its entirety before they decide to invest in the Offer Shares. Capitalised terms not defined in this summary are defined in the sections headed "Definitions" and certain technical terms are explained in the section headed "Glossary of Technical Terms".

There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed "Risk Factors". Prospective investors should read such section carefully before they decide to invest in the Offer Shares.

BUSINESS

The Group is engaged in the research and development, commercialisation, marketing and sale of biotechnology products. Building on its strengths in product development and commercialisation, the Group aims to become a world-class global biotechnology company, providing solutions to pressing and universal problems concerning the environment and human health.

The Group has identified five target markets of significant commercial potential and developed a range of product applications designed to meet the needs of these markets. The Directors believe that many of the current solutions available in such markets are not satisfactory in terms of performance and/or their potentially damaging side effects. The five markets on which the Group's products and product development are focused are eco-agriculture, bioremediation, pharmaceuticals, nutraceuticals and dermatologicals.

Sales of NutriSmart™, a range of environmentally friendly fertilisers, have commenced in Australia, Myanmar and Thailand and pre-sale trials have commenced in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam. Pre-sale trials are being arranged for WonderTreat™, a range of bioremediation products, in Australia, Canada, Hong Kong, Taiwan and the United States. Pre-sale trials are also being arranged for AgiPro™, a range of animal feed additives, in Taiwan. Other products in the commercialisation phase include nutraceutical, pharmaceutical and dermatological applications. For the financial year ended 31 December 2001, the Group generated combined revenues of HK$148,200 (which related to the Group's first sale of NutriSmart™ in December 2001) and for the three-month period ended 31 March 2002, the Group generated combined revenues of HK$134,160. For the two and a quarter years ended 31 March 2002, the Group incurred an accumulated loss of HK$217.6 million.

The Group's research and development and commercialisation activities are led by two subsidiaries, CK Biotech Laboratory Ltd., responsible for the invention of new product applications, and CK Life Sciences Int'l., Inc., responsible for the commercialisation of such new product applications. The Directors believe that the Group can apply the processes and methods it uses for microbe selection, functional activation and environmental acclimatisation to the development of a broad range of biotechnology products. Since January 2000, the Group has independently developed 108 product applications, 27 of which were the subject of granted patents and patent applications as at the Latest Practicable Date. The Group has started the commercialisation of all 108 product applications, which are currently at different stages of the commercialisation process. As at the Latest Practicable Date, the Group's patent portfolio consisted of three granted patents, four patent applications for which Notices of Allowance had been received and 20 other pending patent applications, all in the United States.

The expertise within the Group's research and development and commercialisation teams includes, among others, molecular biology, biochemistry, structural biology, functional proteomics, chemistry and pharmacology. To complement its internal capabilities, the Group collaborates with international companies, hospitals, government institutes, environmental organisations and academic institutions.

Collaborations with such independent third parties have included field trials of the Group's fertiliser products under various conditions with various crops, field trials of the Group's animal feed additive products with various types of animals, field trials of the Group's bioremediation formulations on water pollution and preliminary human trials of the Group's pharmaceutical product applications. The Directors believe that the integration of the Group's research and development and commercialisation teams, along with its external collaborations, enhances its ability to develop new applications and bring such applications efficiently to market. In addition, the Directors believe that the Group has been in compliance with all laws and regulations associated with its business in all material respects and has had all material licences and permits required to operate its business since its establishment.

In addition to the 108 potential product applications, which the Group has independently developed within its five business segments since incorporation, the Group has achieved the following milestones to date:

- established a fully-integrated research facility at Tai Po Industrial Estate in Hong Kong;
- established a team of scientists to commercialise the product applications and maximise their market viability;
- recruited a team of business development personnel to establish the Group's business operations and strategy;
- as at the Latest Practicable Date, of the 108 potential product applications, 27 patent applications have been submitted to the US Patent Office (of which three have been granted, four have been issued Notices of Allowance and 20 are pending) and the drafting for a further 81 patent applications is in progress;
- completed field trials of NutriSmart™, an eco-fertiliser, on over 50 crops in more than 10 countries;
- obtained listing of NutriSmart™ by OMRI as 'allowed' for organic production in the United States;
- appointed distributors for NutriSmart™ in Australia and Thailand;
- formed a joint venture with a member of the Lippo Group to import, distribute and market NutriSmart™ in Indonesia;
- begun sales of NutriSmart™ in Australia, Myanmar and Thailand and pre-sale trials in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam;
- obtained product registration for the sale of NutriSmart™ in the states of California and Washington in the United States and submitted applications for product registration in Indonesia and the Philippines;
- conducted laboratory trials of the first WonderTreat™ bioremediation formulations;
- begun negotiation with units in Australia and Taiwan regarding the use of WonderTreat™ bioremediation formulations in the treatment of wastewater;
- completed preliminary field trials of AgiPro™, a series of animal feed additive products; and
- preliminary human trials in the PRC for the Group's first potential pharmaceutical product applications have commenced.

The following table shows the status of the Group's 108 potential product applications as at the Latest Practicable Date:

	Product development status		US Patent Office patent application status[1]			
	Product applications being sold or undergoing pre-sale trials	**Product applications under commercialisation development**	**Patents granted**	**Patent applications with Notice of Allowance issued**	**Patent applications filed, but pending Notice of Allowance**	**Patent applications not filed, but drafting commenced**
Eco-agriculture:						
Fertilisers	1	9	—	2	4	4
Animal Feed Additives	4	14	—	—	13	5
Bioremediation	8	7	3	2	3	7
Pharmaceuticals	—	50	—	—	—	50
Nutraceuticals	—	10	—	—	—	10
Dermatologicals	—	5	—	—	—	5
Total	13	95	3	4	20	81

Note:

(1) In addition to patent applications filed with the US Patent Office, the Group has made or intends to make associated patent applications through the PCT for other PCT countries and national applications in non-PCT countries.

TRADING RECORD

The table below sets out a summary of the audited combined results of operations of the Group for the two years ended 31 December 2001 and the three-month period ended 31 March 2002, extracted from the information included in the Accountants' Report set out in Appendix I, and the unaudited results of operations of the Group for the three-month period ended 31 March 2001, in each case prepared on the basis that the current Group structure had been in existence throughout such periods:

	Year ended 31 December		Three-month period ended 31 March	
	2000	**2001**	**2001**	**2002**
			(unaudited)	
	HK$	**HK$**	**HK$**	**HK$**
Turnover[1]	—	148,200	—	134,160
Cost of sales	—	(103,600)	—	(103,830)
Gross profit	—	44,600	—	30,330
Other revenue[2]	2,596	14,185	—	3,682
Staff cost	(120,285,444)[3]	(31,249,725)	(6,292,306)	(13,736,317)
Depreciation	(378,310)	(6,615,358)	(1,890,894)	(2,951,569)
Amortisation of intangible assets	—	(52,680)	—	(158,040)
Other operating expenses	(16,805,392)	(20,036,897)	(3,015,865)	(5,333,750)
Loss before taxation	(137,466,550)	(57,895,875)	(11,199,065)	(22,145,664)
Taxation	(24,127)	(38,350)	—	—
Loss for the year/period	(137,490,677)	(57,934,225)	(11,199,065)	(22,145,664)
Loss per Share[4]	(2.7) cents	(1.1) cents	(0.2) cents	(0.4) cents

Notes:

(1) The Group's combined turnover for the year ended 31 December 2001 and the three-month period ended 31 March 2002 comprised sales of NutriSmart™ in Australia, Myanmar and Thailand.

(2) Other revenue represented interest received from bank deposits.

(3) Staff cost for the year ended 31 December 2000 included an inducement payment of HK$100 million paid to Mr. Cheung.

(4) The calculation of the loss per Share is based on the net loss for each of the two years ended 31 December 2001 and the three-month periods ended 31 March 2001 and 31 March 2002 and assuming 5,100,000,000 Shares in issue, comprising 70,000 Shares in issue as at the date of the prospectus and 5,099,930,000 Shares to be issued pursuant to the Capitalisation Issue as described in the paragraph headed "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV to the prospectus.

BUSINESS OBJECTIVES

The Group aims to become a world-class biotechnology group, improving the quality of life by enhancing human health and the sustainability of the environment through its biotechnology solutions. In doing so, the Group aspires to be a global, comprehensive and broadly-based provider of life sciences products. The Group's objective is to develop product applications for a wide range of commercial markets based on its research and commercialisation expertise, as well as to capitalise on opportunities in its existing eco-agriculture, bioremediation, pharmaceutical, nutraceutical and dermatological product categories.

STRATEGIES

Key elements of the scientific and business strategy of the Group to achieve its business objectives include:

Commercialising product applications to address market needs

- forming a comprehensive and thorough understanding of market conditions;
- engineering the characteristics of product applications to match market conditions in order to maximise economic value; and
- undertaking product modifications where necessary, to broaden market coverage and penetration.

Recruiting and retaining a team of skilled scientists and business development personnel

- identifying and recruiting skilled research scientists and business development personnel with relevant experience in each of the Group's fields of research and development;
- providing a network of administrative support to enable the Group's scientists to focus on their areas of expertise;
- retaining the services of talented individuals and ensuring the Group's ownership of intellectual property by:
    - offering a combination of incentives, including competitive salary and benefits packages, as well as share options to key employees; and
    - requiring the assignment of all intellectual property rights to the Group with respect to innovative work developed during employment by the Group, and the signing of employment contracts including non-disclosure undertakings and other restrictive covenants; and
- diversifying responsibilities to ensure continuity of operations and minimisation of risks associated with over-reliance on a small number of individuals, without unnecessarily compromising confidentiality.

Pursuing strategic alliances to accelerate commercialisation of the Group's product applications

- continuing to establish strategic alliances with leading international academics, research institutes, manufacturers, distributors and other organisations in order to:
    - provide the Group with access to research and development expertise, manufacturing facilities and distribution channels across the target markets of the Group; and
    - enable the Group to leverage such other parties' capabilities in order to maximise the Group's ability to commercialise its applications; and
- investing directly or indirectly in complementary businesses, such as biotechnology product manufacturing or distribution businesses, which are expected to provide strategic benefits or promote the growth of the Group's businesses, to the extent that opportunities arise.

Maintaining a flexible manufacturing, sales and marketing strategy, whilst retaining ownership of the Group's intellectual property and control over the production of activated microbes

- retaining a proprietary interest in its applications, processes and methods, allowing the Group to leverage its discoveries into other market segments; and
- retaining control over the production of the activated microbes underlying the products that the Group develops, whilst adopting flexible manufacturing and sales and marketing strategies according to the requirements of each product and the geographical location of the relevant market:
  - in the early stage of development, licensing and/or entering into joint ventures with third parties to manufacture, market and sell the Group's products as well as forming the Group's own manufacturing and sales and marketing capability; and
  - ultimately, in order to be able to market and sell products on a global basis, using a comprehensive franchise system under which partners and franchisees undertake the majority of the Group's manufacturing, sales and marketing.

Leveraging the research capabilities of the Group to find and develop new applications and accelerating research and development of existing products with increased investment

- capitalising on the Group's experience in developing and delivering its existing products to market, in order to capture any new opportunities which may arise in its target markets, such as those in relation to new product categories;
- leveraging the Group's new product research and commercialisation expertise to develop new product applications in other markets by applying such expertise to an even wider variety of cell functions; and
- increasing the Group's investment in research and development in order to enhance the capabilities of its existing products and to accelerate the product development efforts of the Group in order to capture growth opportunities in the Group's target markets. Such investment will include:
  - design and implementation of more elaborate test programmes of products in different market and environmental conditions; and
  - research into alternative formulations to improve the performance and competitiveness of existing products.

Establishing a diverse portfolio of patented products

- diversifying the Group's research and development efforts and pursuing a wider range of potential products and applications, in order to reduce the risks inherent in research and development and the Group's reliance on any one of its programmes;
- establishing an early stream of sales revenues from the Group's commercialised products in order to support the development and commercialisation of new products; and
- obtaining intellectual property protection for the Group's product applications in its key potential markets as soon as possible.

USE OF PROCEEDS OF THE SHARE OFFER

The net proceeds of the Share Offer, after deducting underwriting fees and the estimated expenses payable by the Company in relation to the Share Offer, are estimated to be approximately HK$2,484 million (on the basis that the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.00, the top of the range stated in this prospectus). If the Over-allotment Option is exercised in full, the net proceeds (assuming such Offer Price) will increase to approximately HK$2,794 million. The Company currently intends to use the net proceeds of the Share Offer as follows:

- approximately HK$850 million will be used for research and development, (of which some HK$300 million will be used for core research and development activities, approximately HK$500 million will be used for clinical trials relating to potential pharmaceutical products and approximately HK$50 million will be used for patent applications);
- approximately HK$250 million will be used for the expansion of manufacturing as well as research and development facilities;
- approximately HK$350 million will be used for market development and brand building activities, as well as developing a sales and marketing infrastructure;
- approximately HK$500 million will be allocated for future direct and indirect investments in biotechnology related businesses;
- the balance of approximately HK$534 million will be used as general working capital of the Group to support its ongoing operations and expansion; and
- in the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK$310 million will be applied, as to approximately 25% for research and development, as to approximately 20% for manufacturing facilities, as to approximately 40% for market development and brand building, and as to approximately 15% for general working capital of the Group to support its ongoing operations and expansion.

On the basis of the current business objectives of the Group as set out under "Statement of Business Objectives and Strategies" and subject to the bases and assumptions set out in such section, the Group currently expects that the net proceeds of the Share Offer will be applied in accordance with the above uses as follows:

	Total amount of net proceeds	Latest Practicable Date to 31 December 2002	1 January to 30 June 2003	1 July to 31 December 2003	1 January to 30 June 2004	1 July to 31 December 2004	Percentage of total amount expected to be disbursed as at 31 December 2004	Balance remaining(2)
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	%	HK$ million
Research and development								
Core research and development activities..	300	30	32	33	38	42	58%	125
Clinical trials - pharmaceuticals	500	31	31	32	120	180	79%	106
Patent applications	50	2	4	5	4	5	40%	30
	850	63	67	70	162	227	69%	261
Expansion of manufacturing and research and development facilities	250	69	57	37	25	35	89%	27
Market development, brand building and sales and marketing	350	35	42	73	75	90	90%	35
	1,450(1)	167	166	180	262	352	78%	323

Notes:

(1) The total amount of net proceeds excludes HK$500 million allocated for future direct and indirect investments and HK$534 million general working capital noted above. The timing for application of the proceeds for future direct and indirect investments has not yet been determined. See "Business — Commercialisation of the Group's product applications".

(2) Such remaining balances will be applied in accordance with the uses disclosed above, but beyond the period covered by the "Statement of Business Objectives and Strategies" because of the long-term nature of the Group's research and development activities. Announcements with respect to the application of such balances will be made when appropriate.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed in interest-bearing deposits with banks or financial institutions. In the event there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement of the change.

In the event the Offer Price is less than HK$2.00, the net proceeds allocated in respect of general working capital shall be reduced accordingly.

RISK FACTORS

General risks related to the business of the Group

- The Group has a limited operating history.
- The Group has incurred operating losses and such losses are expected to continue.
- The Group has relied on the financial support of its major shareholders since it was established
- The Group may be exposed to risks associated with its key employees, including third party claims.

Risks related to the business operations of the Group

- The Group's product applications and the related products are relatively new and commercially unproven, so successful development of its products is uncertain.
- Testing of the Group's products may be a lengthy and expensive process, and there is a risk of delay or failure.
- Success in early field trials may not be indicative of results obtained in later field trials.
- The Group has access to limited manufacturing capabilities and if the Group is unable to expand its access to facilities to manufacture adequate quantities of its products to meet demand, its business will suffer.
- Market acceptance for the Group's products is uncertain.
- The Group has limited sales and marketing experience. If it is unable to develop adequate sales and marketing capabilities, it may be unable to commercialise its products.
- The Group faces intense competition and rapid technological change.
- The Group may be exposed to product liability claims.
- The Group may have difficulty attracting and retaining skilled personnel.
- The operations of the Group are growing rapidly and if the Group is unable to manage such growth, its business will suffer.

Risks related to intellectual property and regulatory issues

- The business of the Group depends on its present and future intellectual property rights.
- The business of the Group depends on trade secrets and proprietary know-how.

- The Group may be exposed to risks of third party claims arising from the previous business activities of the Group's Chief Scientist and may become involved in litigation relating to such claims.
- There is a risk that the Group may not be able to obtain protection for its intellectual property rights in the PRC or manufacture and sell its products in the PRC.
- If the Group becomes involved in litigation regarding its products and/or processes and their related intellectual property rights, it may be prevented from commercialising and utilising its products.
- The Group's operations may be subject to extensive and costly government regulations.

Political and economic risks

- There are political and economic risks associated with doing business internationally.
- A change in currency exchange rates could increase the costs relating to the revenues of the Group.

Risks related to the Shares

- There may be potential future dilution of shareholders' interests.
- The major shareholders of the Company exercise significant influence over the Group and will continue to do so after the Share Offer. The Group may have potential business conflicts of interest with the major shareholders of the Company that could harm its business operations.
- An active trading market for the Shares may not develop and their market price may be subject to volatility.

Issues to consider in relation to statements made in this prospectus

- Certain statistics are derived from unofficial publications.
- There may be possible deviation in use of proceeds from the Share Offer from the intended use.
- Forward-looking statements contained in this prospectus may not be fulfilled.
- Applications using an ESP are still at an early development stage in Hong Kong and there can be no assurance that applications made for Offer Shares using an ESP will result in all or any such applications being validly submitted.

OFFER STATISTICS

	Based on an Offer Price of HK$1.80	Based on an Offer Price of HK$2.00
Market capitalisation	HK$11,533 million	HK$12,814 million
Adjusted net tangible asset value per Share(1)	HK$0.38	HK$0.42

Note:

(1) The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed "Adjusted Net Tangible Assets" of the section headed "Financial Information" and on the basis of a total of 6,407,000,000 Shares in issue and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue, but takes no account of any Shares (i) which may be issued upon the exercise of the Over-allotment Option, (ii) which may be granted under the Share Option Scheme or (iii) which may fall to be issued or repurchased by the Company pursuant to the general mandates for the issue or repurchase of Shares granted to the Directors referred to in Appendix IV.

INTERESTS OF INITIAL MANAGEMENT SHAREHOLDERS

The shareholding structure of the Company has undergone a number of changes since its incorporation on 10 August 2001, details of which are set out in Appendix IV. See also "Business — Reorganisation". The interests of the Initial Management Shareholders in the enlarged issued share capital of the Company following the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), the investment cost of their Shares and the relevant lock-up periods are summarised as follows:

Name of shareholder	Number of Shares held immediately after the Share Offer and the Capitalisation Issue	Percentage shareholding immediately after the Share Offer and the Capitalisation Issue(1)	Lock-up period	Total investment cost (approximately HK$)	Average cost per Share (approximately HK$)	Date first became interested in Shares
Gold Rainbow	2,820,008,571(2)	44.02%	12 months(5)	288,688,508.14	0.1024	22 April 2002(7)
Cheung Kong	2,820,008,571(3)	44.02%	12 months(5)	288,688,508.14	0.1024	10 August 2001(7)
Trueway	1,410,004,286(2)	22.01%	12 months(5)	144,344,254.07	0.1024	22 April 2002(8)
Triluck	470,001,429(2)	7.33%	12 months(5)	48,114,751.36	0.1024	22 April 2002(8)
Mr. Li Ka-shing	1,880,005,715(4)	29.34%	12 months(5)	192,459,005.43	0.1024	10 August 2001(8)
Mr. Cheung..................	399,985,714(2)	6.24%	2 years(5)(6)	41,010,709.43	0.1025	17 June 2002(9)

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Conditional on the share premium account of the Company being credited as a result of the Share Offer, each of Gold Rainbow, Trueway, Triluck and Mr. Cheung (Chief Scientist of the Group) will be issued and allotted 2,819,969,865 Shares, 1,409,984,933 Shares, 469,994,978 Shares and 399,980,224 Shares, respectively pursuant to the Capitalisation Issue.

(3) This interest represents the same block of Shares as shown against the name of Gold Rainbow above. Since Gold Rainbow is a wholly-owned subsidiary of Cheung Kong, Cheung Kong will be deemed to have an interest in the same number of Shares held by Gold Rainbow under the SDI Ordinance. Please also refer to note (1) to the paragraph headed "Substantial Shareholders" under the section headed "Substantial and Initial Management Shareholders".

(4) This interest represents the same block of Shares as the aggregate of those shown against the names of Trueway and Triluck, private companies indirectly wholly-owned by Mr. Li Ka-shing, as Mr. Li Ka-shing will be deemed to be interested in those Shares under the SDI Ordinance. This number of Shares does not include Shares to be held by the Cheung Kong Group, in which Mr. Li Ka-shing will also be deemed to be interested under the SDI Ordinance. See also "Substantial and Initial Management Shareholders".

(5) Each of Cheung Kong, Gold Rainbow, Trueway, Triluck, Mr. Li Ka-shing and Mr. Cheung is an initial management shareholder (as defined in the GEM Listing Rules). Each of such Initial Management Shareholders has entered into an undertaking with the Stock Exchange and the Company as described in "Substantial and Initial Management Shareholders", and each of Cheung Kong, Gold Rainbow, Trueway and Triluck has given the undertakings to Salomon Smith Barney as described in "Underwriting". In addition, Mr. Cheung has voluntarily given certain non-disposal undertakings as set out in note (6) below. Gold Rainbow is wholly-owned by Gotak Limited and indirectly wholly-owned by Cheung Kong. Gotak Limited has given an undertaking not to dispose of shares in Gold Rainbow for a period of 12 months from the Listing Date. Each of Trueway and Triluck is wholly-owned by Tangiers and indirectly wholly-owned by Mr. Li Ka-shing, and Tangiers has given an undertaking not to dispose of Shares in each of Trueway and Triluck for a period of 12 months from the Listing Date. See "Substantial and Initial Management Shareholders".

(6) Mr. Cheung has entered into a deed of undertaking dated 10 May 2002 (the "Deed of Undertaking") with the Company as described in "Substantial and Initial Management Shareholders". Pursuant to the Deed of Undertaking, Mr. Cheung has voluntarily undertaken to the Company that he will not Dispose of the Shares issued and allotted to him as at the Listing Date (the "Subject Shares") except with the prior written consent of the Company or otherwise in accordance with the following:

(a) within two years after the Listing Date (the "Non-Disposal Period"), Mr. Cheung shall not Dispose of any of the Subject Shares; and

(b) in each year after expiry of the Non-Disposal Period up to a period of ten years after the Listing Date (the "Restricted Period"), Mr. Cheung shall not Dispose of any Subject Shares unless the Disposal is made to the extent of (i) 12.5% of the total number of the Subject Shares; and (ii) any Subject Shares which Mr. Cheung is entitled to Dispose of in any preceding year during the Restricted Period (if any) but which he has not Disposed of;

(c) after expiry of the Restricted Period, Mr. Cheung shall be free to Dispose of the Subject Shares; and

(d) any Disposal made under (b) and (c) above shall only be made on a recognised stock exchange.

"Dispose" or "Disposal" means in relation to the Subject Shares, sell, transfer or otherwise dispose of or deal with directly or indirectly (including but not limited to, create or permit to subsist any pledge, lien, charge or mortgage over, or grant any option or other rights or any interest in) such Subject Shares or any party thereof or any interest therein or enter into any agreement with any third party for such purpose. Please also refer to the paragraph headed "Additional Undertakings" in the section "Substantial and Initial Management Shareholders".

(7) A company indirectly majority owned by Cheung Kong held the entire issued share capital of the Company since the Company was incorporated on 10 August 2001. On 22 April 2002, Shares proportional to the then percentage interest of Cheung Kong in such company were first transferred to Gold Rainbow, an indirect wholly-owned subsidiary of Cheung Kong.

(8) A company in which Mr. Li Ka-shing has an indirect minority interest held the entire issued share capital of the Company since the Company was incorporated on 10 August 2001. On 22 April 2002, Shares proportional to the then percentage interest of Mr. Li Ka-shing in such company were first transferred to Trueway and Triluck, companies indirectly wholly-owned by Mr. Li Ka-shing.

(9) Shares were first issued and allotted to Mr. Cheung on 17 June 2002 when loans then owing by the Company were capitalised.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"AgiPro™"	the Company's animal feed products marketed under the trademark AgiPro™
"Assured Entitlements"	the entitlements of Qualifying Shareholders to apply for Reserved Shares under the Preferential Offer on the basis of an assured entitlement of one Reserved Share for every whole multiple of 25 Cheung Kong Shares held by each Qualifying Shareholder at the close of business on the Record Date
"Beijing TLB Institute"	Beijing TLB Technology Research Institute, a collectively owned enterprise established in the PRC, formerly operated by Mr. Cheung and managed by 北京田力寶實業公司 (Beijing TLB Company)
"Beijing WonderGrow"	Beijing WonderGrow Biotech Inc., a sino-foreign co-operative joint venture incorporated in the PRC between the Cheung Kong Group and an independent third party and which is controlled by the Cheung Kong Group
"Bio-World"	Bio-World Holdings Limited, a company incorporated in the BVI with limited liability, indirectly owned as to 60% by Cheung Kong and as to 40% by Mr. Li Ka-shing
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to under "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person or persons admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Cheung Kong"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board
"Cheung Kong Group"	Cheung Kong and its subsidiaries (excluding members of the Group)
"Cheung Kong Shares"	shares with a par value of HK$0.50 each in the share capital of Cheung Kong

"CK Biotech Laboratory"	CK Biotech Laboratory Limited, formerly known as Excel Hope Development Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company
"CK Laboratory"	CK Life Sciences Laboratory Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Bio-World
"Companies Law"	the Companies Law (2001 Second Revision) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands on 10 August 2001 with limited liability
"Directors"	the directors of the Company
"Elders"	Elders Limited, a company incorporated in Australia with limited liability (a subsidiary of Futuris Corporation Limited) which is a major distributor engaged in the provision of agricultural services to rural and regional Australia
"EMEA"	the European Medicines Evaluation Agency
"EPA"	the Environmental Protection Agency in the United States
"ESP" or "eIPO Service Provider"	a registered dealer or an exempt dealer as defined under the Securities Ordinance or a recognised clearing house as defined under the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), which is providing a service to applicants to act as their agent to apply for Public Offer Shares using an ESP Application Form
"ESP Application Form"	the form of application for use by ESPs in making a bulk share application for Public Offer Shares as agent on behalf of applicants
"FDA"	the Food and Drug Administration in the United States
"Forward Thailand"	Forward (Thailand 1989) Co. Limited, a company incorporated in Thailand with limited liability which is a major supplier of agrochemical products in Thailand
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Committee"	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"GEM Web-site"	*http://www.hkgem.com*, being the Internet web-site operated by the Stock Exchange for the purposes of GEM
"Gold Rainbow"	Gold Rainbow Int'l Limited, an investment holding company incorporated in the BVI with limited liability and indirectly wholly-owned by Cheung Kong through Gotak Limited, an investment holding company

"Group"	the Company and its subsidiaries or, when the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the Company's present subsidiaries or the businesses operated by such subsidiaries or (as the case may be) their predecessors
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hutchison"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board
"Hutchison Group"	Hutchison and its subsidiaries
"independent third party"	an independent third party not connected with any director, chief executive, substantial shareholder or management shareholder of the Company or their respective associates
"Initial Management Shareholders"	Cheung Kong, Gold Rainbow, Mr. Li Ka-shing (the Chairman of Cheung Kong), Trueway, Triluck and Mr. Cheung, being the initial management shareholders (as defined in the GEM Listing Rules) in respect of the Company
"IPO Pricing Date"	the date, expected to be on or around 11 July 2002, on which the Offer Price is fixed for the purposes of the Share Offer
"Latest Practicable Date"	24 June 2002, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
"Listing Date"	the date trading in the Shares commences on GEM
"Main Board"	the stock market operated by the Stock Exchange, which excludes GEM and the options market
"Memorandum and Articles"	the existing memorandum and articles of association of the Company
"Mr. Cheung" or "Mr. Larry Cheung"	Mr. Cheung Ling Yuk, Larry (also known as Zhang Ling Yu), the Chief Scientist of the Group
"MCA"	the Medicines Control Agency in the United Kingdom
"NutriSmart™"	the Company's fertiliser products marketed under the trademark NutriSmart™
"Offer Price"	the price per Offer Share (exclusive of brokerage, the Stock Exchange trading fee and the SFC transaction levy) at which the Offer Shares are to be subscribed and issued pursuant to the Share Offer, to be determined as described under "Structure of the Share Offer — Determining the Offer Price"
"Offer Shares"	the Placing Shares and the Public Offer Shares
"OMRI"	the Organic Materials Review Institute, a non-profit organisation serving the organic products community and the general public in the United States

"Over-allotment Option"	the option granted by the Company to the Placing Underwriters exercisable by Salomon Smith Barney (on behalf of the Placing Underwriters) pursuant to the Underwriting Agreement under which the Company may be required to issue at the Offer Price up to 159,250,000 additional new Shares, representing approximately 12.18% of the Shares initially available under the Share Offer, to cover over-allocations in the Placing
"Overseas Shareholders"	registered holders of Cheung Kong Shares whose addresses on the register of members of Cheung Kong were outside Hong Kong at the close of business on the Record Date
"PCT"	the Patent Co-operation Treaty, an international treaty administered by the World Intellectual Property Organisation. The PCT makes it possible for nationals or residents of contracting states to seek patent protection for an invention simultaneously in a number of member countries by filing a single application. See "Industry Overview — The Patent System"
"Placing"	the placing of the Placing Shares for cash at the Offer Price (i) with professional, institutional and other investors as described in this prospectus and the placing letters relating thereto, (ii) with certain employees of the Group, whether directly or to a trust or trusts holding those Shares on their behalf, on a preferential basis, and (iii) with Qualifying Shareholders on an assured basis under the Preferential Offer, as described under "Structure of the Share Offer"
"Placing Shares"	the 1,176,300,000 new Shares representing 90% of the Shares initially available under the Share Offer (subject to the exercise of the Over-allotment Option and reallocation), being offered at the Offer Price for subscription pursuant to the Placing
"Placing Underwriters"	Salomon Smith Barney, BNP Paribas Peregrine Securities Limited, BOCI Asia Limited, CLSA Limited, ICEA Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, CEF Capital Limited, China Everbright Capital Limited, Core Pacific-Yamaichi International (H.K.) Limited, FB Gemini Securities Limited, ING Bank N.V., SG Securities (HK) Ltd., South Capital Brokerage Limited, Sun Hung Kai International Limited and Worldsec International Limited
"PRC" or "China"	the People's Republic of China, which, for the purposes of this prospectus, excludes Hong Kong, Macau and Taiwan
"Preferential Offer"	the preferential offer to the Qualifying Shareholders for subscription of the Reserved Shares at the Offer Price on and subject to the terms and conditions stated herein and in the application form relating thereto
"Public Offer"	the issue of the Public Offer Shares pursuant to an offer for subscription by the Company in Hong Kong on and subject to the terms and conditions described in this prospectus and the application forms relating thereto

"Public Offer Shares"	the 130,700,000 new Shares representing 10% of the Shares initially available under the Share Offer (subject to reallocation), being offered at the Offer Price for subscription under the Public Offer
"Public Offer Underwriters"	Salomon Smith Barney, BNP Paribas Peregrine Securities Limited, BOCI Asia Limited, CLSA Limited, ICEA Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, CEF Capital Limited, China Everbright Capital Limited, Core Pacific-Yamaichi International (H.K.) Limited, FB Gemini Securities Limited, ING Bank N.V., SG Securities (HK) Ltd., South Capital Brokerage Limited, Sun Hung Kai International Limited and Worldsec International Limited
"Qualifying Shareholders"	holders of Cheung Kong Shares, whose names appeared on the register of members of Cheung Kong at the close of business on the Record Date, other than Overseas Shareholders and US Shareholders
"Record Date"	Friday, 21 June 2002, being the record date for ascertaining the Assured Entitlements
"Regulation S"	Regulation S under the US Securities Act
"Relevant Securities"	the securities of the Company of the types listed in paragraphs (4)(a) to (4)(g) under Rule 13.15 of the GEM Listing Rules in respect of which the relevant Initial Management Shareholder is entitled to exercise or control the exercise of voting power at the general meetings of the Company
"Reorganisation"	the reorganisation of the Group in preparation for the listing of the Shares on GEM, the details of which are set out under "Business — Reorganisation" and under "Reorganisation" in Appendix IV
"Reserved Shares"	59,000,000 Placing Shares representing approximately 4.5% of the Shares initially available under the Share Offer (subject to reallocation) being offered pursuant to the Preferential Offer
"Salomon Smith Barney"	Salomon Smith Barney Hong Kong Limited
"SDI Ordinance"	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
"Securities Ordinance"	the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally approved by the Company's shareholders, principal terms of which are set out under "Share Option Scheme" in Appendix IV
"Stock Borrowing Agreements"	the stock borrowing agreements entered into on 3 July 2002 between (a) each of Gold Rainbow and Trueway and (b) Salomon Smith Barney

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the same meaning as provided in section 2 of the Companies Ordinance
"Tangiers"	Tangiers Enterprises Limited, a company incorporated in the BVI and wholly-owned by Mr. Li Ka-shing, which wholly owns Triluck and Trueway
"Triluck"	Triluck Assets Limited, a company incorporated in the BVI with limited liability and indirectly wholly-owned by Mr. Li Ka-shing
"Trueway"	Trueway International Limited, a company incorporated in the BVI with limited liability and indirectly wholly-owned by Mr. Li Ka-shing
"Ultra Biotech"	Ultra Biotech Limited, a company incorporated in Isle of Man with limited liability and indirectly wholly-owned by the Company
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreement"	a placing and underwriting agreement dated 3 July 2002 relating to the Share Offer entered into among the Company, Cheung Kong, Gold Rainbow, Salomon Smith Barney, the Public Offer Underwriters and the Placing Underwriters relating to the Share Offer
"United States" or "US"	the United States of America
"US Securities Act"	the US Securities Act of 1933, as amended
"US Shareholders"	shareholders of Cheung Kong who are within the United States (within the meaning of Regulation S)
"Vitagain™"	the Company's health food and dietary supplement products marketed under the trademark Vitagain™
"WHO"	the World Health Organisation
"WonderTreat™"	the Company's bioremediation products marketed under the trademark WonderTreat™

"HK$" or "$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"sq.m."	square metres
"sq.ft."	square feet
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"AIDS"	Acquired Immunodeficiency Syndrome. An epidemic disease caused by an infection by human immunodeficiency virus (HIV-1), a retrovirus that causes immune system failure and debilitation and is often accompanied by cancers such as Kaposi's Sarcoma as well as secondary infections such as tuberculosis.
"biochemistry"	The study of the chemical and physio-chemical processes of living organisms.
"bioremediation"	The use of biotechnology to manage waste material or contamination.
"biotechnology"	The field of science and engineering relating to the adaptation of living organisms or biological processes to industrial and commercial applications.
"commercialisation"	The process whereby new ideas or inventions are turned into commercially viable product applications for sale in the market.
"chromosome"	The self-replicating structure in cells that contains the organism's genetic information.
"DNA"	Deoxyribonucleic acid, a complex molecule found in the chromosomes of almost all organisms, made up of four different kinds of bases, which are abbreviated A, C, T and G. A DNA fragment that is ten bases long might have a base sequence of, for example, ATCGTTCCTG. The particular sequence of bases encodes important information in an individual's genetic blueprint and is unique for each individual (except identical twins).
"DNA replication"	The use of existing DNA as a template for the synthesis of new DNA strands.
"DNA sequence"	The relative order of base pairs, whether in a fragment of DNA, a gene, a chromosome or an entire genome.
"eco-agriculture"	Agricultural products benefiting the environment or agricultural methods which do not negatively impact the environment.
"enzyme"	A protein that catalyses a biological reaction.
"enzyme engineering"	A technique for isolating and studying enzymes and creating tailor-made enzymes by altering the genes that code them either enhancing or suppressing their activities.
"fermentation"	The chemical decomposition of a substance, usually a carbohydrate, due to the action of enzymes produced by bacteria, yeasts or molds. Fermentation usually occurs in an oxygen-free environment and involves the conversion of starch or sugar into ethyl alcohol.
"functional proteomics"	The use of genetic technology to determine the function of proteins.

"gene"	The fundamental physical and functional unit of heredity, comprising a sequence of nucleotides that encodes a specific functional product.
"gene expression"	The process by which a gene's coded information is converted into the structures present and operating in the cell.
"genetic code"	The sequence of nucleotides, coded in triplets (codons) along the mRNA, that determines the sequence of amino acids in protein synthesis.
"genetic engineering"/ "genetic modification"	The insertion of a nucleotide sequence into an organism.
"genetics"	The study of the patterns of inheritance of specific traits.
"genome"	All the genetic material in the chromosomes of a particular organism.
"genomic sequence"	The order of the subunits, called bases, that make up a particular fragment of DNA in a genome.
"HIV"	Human immunodeficiency virus. A type of retrovirus that is responsible for AIDS.
"microbe"	A microscopic organism.
"molecular biology"	The study of the genesis and functions of biological molecules associated with living organisms.
"mRNA"	Messenger RNA, one class of RNA that serves as a template for protein synthesis.
"nucleotides"	A sub-unit of DNA or RNA consisting of a nitrogenous base (adenine, guanine, thymine or cytosine in DNA; adenine, guanine, uracil, or cytosine in RNA), a phosphate molecule and a sugar molecule (deoxyribose in DNA and ribose in RNA). Thousands of nucleotides are linked to form a DNA or RNA molecule.
"nutraceuticals"	Substances for human consumption, such as traditional foods, isolated nutrients, herbs, plants and dietary supplements, which have health-enhancing capabilities.
"oncology"	The study of tumours.
"pharmacology"	The science of the action of drugs on the body.
"prophylactic approach"	An approach related to the prevention of the occurrence or spread of diseases.
"protein"	A large molecule composed of one or more chains of amino acids in a specific order. Proteins are required for the structure, function, and regulation of the bodies cells, tissues and organs, and each protein has unique functions. Examples are hormones, enzymes and antibodies.
"protein engineering"	A technique for isolating and studying proteins and creating tailor-made proteins by altering the genes that code them.

"proteomics"	The study of proteins encoded by the genome. Generally taken to mean the high throughput systematic separation, identification and characterisation of proteins.
"retrovirus"	Any of a group of viruses, many of which produce tumours, that contain RNA and reverse transcriptase, including the virus that causes AIDS.
"RNA"	Ribonucleic acid, a nucleic acid found in all living cells, which plays a role in transferring information from DNA to the protein, forming the system of the cell.
"sequencing"	Determination of the order of nucleotides in DNA or RNA molecules or the order of amino acids in a protein.
"structural biology"	The study of the physical structure and physical chemistry of living organisms.
"therapeutic approach"	An approach related to the treatment of diseases after their occurrence.
"transcriptase"	An enzyme that catalyses the formation of RNA from a DNA template in the process of transcription.

An investment in the Offer Shares involves a high degree of risk and is speculative. Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Group before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks could have a material adverse effect on the business, results of operation, financial condition and future prospects of the Group and cause the market price of the Offer Shares to fall significantly.

GENERAL RISKS RELATED TO THE BUSINESS OF THE GROUP

The Group has a limited operating history

The Group was established towards the end of 1999. Since establishment, the Group has focused on research, development and commercialisation of potential product applications. While the Group has developed over 100 new product applications, most of them are undergoing further development as part of the commercialisation process. To date limited revenues have been generated from the sale of its only product so far in production, NutriSmart™, which was launched commercially in December 2001. As a result, the Group has limited experience in the manufacturing, marketing and commercialisation of biotechnological products.

The business of the Group is therefore subject to the risks inherent in the development of new business enterprises, including:

- the need to commercialise and develop a market for products developed by the Group;
- the need to obtain significant capital to support the expenses of further developing the Group's present and future product applications and the commercialisation of the related products;
- the need to achieve a transition from a company with a research and development focus to a company with fully developed commercial operations; and
- the need to attract and retain qualified management, sales, technical and scientific staff.

The operations of the Group may also be affected by problems frequently encountered with the use of new technologies and by the competitive and regulatory environment in which it operates. These and certain other risks are discussed below.

The limited operating history of the Group makes it difficult for an investor to evaluate the Group's business and prospects. Investors should consider the business and prospects of the Group in light of the heightened risks and unexpected expenses and problems it may face as a development stage company in a new and rapidly evolving industry.

The Group has incurred operating losses and such losses are expected to continue

As the Group only began commercial sales of its first product NutriSmart™ in December 2001, its revenue and profit potential are unproven. Since the Group was established, it has incurred significant operating losses and its operating revenues have been minimal. The Group expects losses to continue for at least several years. In particular, for the two and a quarter years ended 31 March 2002, the Group had accumulated losses of HK$217.6 million. The Group's losses and expenses (some of which have been capitalised) have resulted principally from:

- limited operating revenue being generated since incorporation;
- research, development, field trials, and manufacturing and marketing costs relating to the development of the Group's products;

- acquisition of raw materials and equipment;
- general and administrative costs relating to the operations of the Group; and
- securing the services of key employees.

The Group expects that its combined net losses will continue to increase and certain expenses will continue to be capitalised, as the Group will continue to incur expenses relating to:

- research and development into new product applications and the commercialisation of the related products;
- filing and prosecuting patent applications and other intellectual property rights, including patent application costs;
- trials, including clinical trials, of the Group's products;
- establishing third party partnerships relating to research and development, manufacturing and sales and marketing; and
- development of the Group's manufacturing facilities and distribution, sales and marketing network.

The Group may continue to incur substantial operating expenses even if its revenues increase. As a result, the extent of future losses and the timing of any future profitability of the Group are highly uncertain, and the Group may never achieve profitable operations. If the time taken to generate significant product revenues and achieve profitability is longer than anticipated, the Group may not be able to continue its operations.

The Group has relied on the financial support of its major shareholders since it was established

The business of the Group to date has relied on and been financed through shareholder loans from the major shareholders of the Company (the Cheung Kong Group and private companies of Mr. Li Ka-shing) on terms that are not generally available in the market. Following the completion of the Share Offer, the Group will no longer be able to rely on the major shareholders of the Company for funding. The future investments of the Group will therefore be reliant on its ability to raise capital in the financial markets or borrow from banks. If the Group fails to obtain the necessary financing for its activities, it will not be able to expand its business or fund its operations at all.

The Group may be exposed to risks associated with its key employees, including third party claims

The Group is dependent on the principal members of its management and scientific staff, in particular the scientists that lead the Group's new product invention and commercialisation teams. The Group has no 'key person' insurance against the loss of services of any of its key employees. The Directors recognise that the loss of the services of one or more of the Group's key scientists could affect the Group's ability to develop or commercialise new product applications, or result in delays in such development or commercialisation.

The Group includes, in the contracts of its employees, non-compete clauses, non-solicitation clauses, confidentiality provisions and provisions regarding the ownership of intellectual property rights developed whilst in the employment of the Group. In addition, Mr. Cheung, Chief Scientist, has entered into a service contract with CK Biotech Laboratory for a term of ten years. However, no assurance can be given that any such term, clause or provision in the employment contracts of its employees will be enforceable against such parties in the courts of Hong Kong or the courts of other jurisdictions in which the employee may subsequently work. In addition, the Group may be required to pay damages to its employees with whom the Group has long-term employment contracts, if such contracts are terminated by the Group prior to the end of their fixed term.

Third parties may allege that Mr. Cheung is still connected with their organisations. Mr. Cheung has previously been a director of and/or a shareholder in a number of companies, including Glory (HK) Biological Engineering Co. Limited, Star Bio-tech (Holdings) Limited, Paragon E.P Bio-Agricultural Industries (HK) Limited, DWD Biotechnology Laboratory Limited, Hong Kong Bioengineering Co., Limited, GP Foundation Limited, Six Forest Bio-Science Institute Limited and Six Forest Biology Water-Cleaning Engineering Limited. In addition, the Group understands that Mr. Cheung and the Beijing TLB Institute or its associated companies entered into commercial relationships with a number of third parties prior to joining the Group. Although Mr. Cheung has confirmed in writing to the Company that he has terminated all such relationships and is not currently Director of any biotechnology company and does not currently have any beneficial interest in any biotechnology company (excluding the Company), the internet web-sites of a number of companies with which Mr. Cheung was previously connected still make claims that Mr. Cheung is connected with such companies. The Group has requested such companies to remove such references to Mr. Cheung from their web-sites.

The Group or third parties may commence litigation with respect to their actual or alleged intellectual property rights, including with respect to the matters noted above and such litigation, or an adverse outcome thereof, could cause the Group's business to suffer. See "— Risks Related to Intellectual Property and Regulatory Issues — If the Group becomes involved in litigation regarding its products and/or processes and their related intellectual property rights, it may be prevented from commercialising and utilising its products".

See also "— Risks Related to Intellectual Property and Regulatory Issues — The Group may be exposed to risks of third party claims arising from the previous business activities of the Group's Chief Scientist and may become involved in litigation relating to such claims".

RISKS RELATED TO THE BUSINESS OPERATIONS OF THE GROUP

The Group's product applications and the related products are relatively new and commercially unproven, so successful development of its products is uncertain

The Group's product applications and the related products are relatively new and commercially unproven. Although the Group has a wide range of product applications in different phases of commercialisation, it has only started commercial sales of one product to date. As a result, the Group cannot be certain that it will be able to apply the results of its research successfully to as wide a range of applications as it expects, or to commercialise new product applications in an efficient and timely manner, if at all.

The Group does not know when or if it will complete any pending or future product commercialisation efforts, receive any regulatory approvals or successfully start selling any approved products. The development of current and future products of the Group is subject to the risks of failure inherent in the development of any products based on new technologies, some of which are set out in detail below.

Testing of the Group's products may be a lengthy and expensive process, and there is a risk of delay or failure

Only one of the Group's products, NutriSmart™, has been developed to the stage of commercial production. Some of the Group's other products, including its potential pharmaceutical and dermatological products, are at an early stage of commercialisation and must demonstrate that they are effective and in some cases safe through pre-field trial testing and field trials in order to be approved for commercial sale. Conducting field trials can be a lengthy, time-consuming and expensive process, particularly for pharmaceutical products. The length of time may vary substantially according to the degree of regulation, type, complexity, novelty and intended use of the products, and can often be several years or more. The first of the Group's pharmaceutical products is not expected to be commercially available before 2007. Delays associated with products for which the Group is directly conducting pre-field trial tests or field trials will cause it to incur additional and unbudgeted operating expenses.

The commencement and completion of field trials may be delayed by many factors, including:

- inability to manufacture sufficient quantities of materials for field trials;
- failure of the Group's partners to produce test results, data or analysis;
- inadequate or inconclusive results; and
- government or regulatory delays or changes in policy or requirements.

In addition to delays, based on the results of its trials the Group may decide to discontinue the development of any of its products at any time. In particular, clinical trials for pharmaceutical products have a high risk of failure. As a result, there can be no assurance that any of the potential products developed by the Group to date will proceed through their trial phase in a timely manner, if at all.

Success in early field trials may not be indicative of results obtained in later field trials

Successful results in the Group's early stage field trials may, upon further review, be revised or negated by regulatory authorities or by later stage field trial results. Historically, industry-wide results from pre-field trial testing and early field trials have often not been predictive of results obtained in later field trials. In the case of products and applications for which the Group has commenced field trials, such field trials may not demonstrate statistically sufficient levels of safety and efficacy to obtain regulatory approvals for its products, if required. A number of biotechnology companies have suffered significant setbacks in advanced trials following promising results in earlier trials. Since the Group has not started formal clinical trials in accordance with the requirements of registration authorities, it cannot predict accurately when and if it will be able to begin commercial sales of its products.

In addition, even if one or more of the Group's products produce successful results in later field trials and obtain regulatory approval for commercial sale it may take several years for such products to demonstrate their efficacy or long term safety. For example, NutriSmart™ will require soil tests to be conducted for at least a further two years. In addition, whilst numerous tests have been conducted with NutriSmart™ in different climates, soil types and with different crops, such tests have not been exhaustive.

The Group has access to limited manufacturing capabilities and if the Group is unable to expand its access to facilities to manufacture adequate quantities of its products to meet demand, its business will suffer

To be successful, the Group's products must be manufactured in sufficient quantities to meet demand, in compliance with regulatory requirements and at acceptable cost. The Group's activated microbes are currently manufactured at its Tai Po facility in Hong Kong and its end products are manufactured by five contract manufacturers in the PRC through Beijing WonderGrow, a subsidiary of the Cheung Kong Group. The Directors believe the current manufacturing capacity of the Group and of the contract manufacturers is adequate for the limited production of its current products and other products undergoing field trials. However, these facilities will not be adequate in the future if sales increase and the Group expands both the geographical markets for its products and also its range of products. Accordingly, the Group will have to obtain access to additional manufacturing facilities. This will require additional funds and may require approval by regulatory agencies. The Group has no experience in large-scale manufacturing, and it may not be able to establish commercially viable manufacturing facilities and/or increase its capacity successfully to meet demand for its products.

The Group or its partners also may encounter manufacturing problems in relation to the following:

- production yields;
- quality control and assurance;
- shortages of qualified personnel;

- compliance with local and international regulations;
- production and distribution costs; and
- development of advanced manufacturing techniques and process controls.

To the extent the Group decides to use additional third-party manufacturers or enter into a manufacturing joint venture with a third party, it cannot be certain that it will be able to contract with such companies on acceptable terms, if at all.

Market acceptance for the Group's products is uncertain

Even if field trials demonstrate statistically sufficient levels of safety and efficacy for the products developed by the Group and all regulatory approvals and patents have been obtained, the Group's products may not gain market acceptance, thus adversely affecting the sales volumes and selling prices of the Group's products. The degree of market acceptance of the Group's products will depend on a number of factors, including:

- publicly establishing and demonstrating the efficacy and safety, especially as compared to other similar products;
- cost-effectiveness and the costs of switching products;
- competitive performance against alternative products or treatments; and
- marketing and distribution support for the Group's products.

Some of the products marketed by the Group may be compared or confused with other less effective 'environmentally friendly' products previously marketed by other companies and which may have an unfavourable reputation. As a result of the novelty of the Group's products, the Group may have to exert an extra effort initially to dispel market resistance to its products as a result of previous negative experience with products that are perceived as being similar. This may lead to delay in acceptance of the Group's products, which would affect the Group's sales and may cause the Group to incur additional marketing costs.

In addition, there has been considerable public concern about genetically modified products. The Directors believe that the Group's products should not be categorised as genetically modified and that those products provide an ecological alternative method to genetic modification. See "Business — Scientific Background". However, there can be no assurance that the Group will be able to establish with the public a distinction between the Group's products and genetically modified products.

The Group has limited sales and marketing experience. If it is unable to develop adequate sales and marketing capabilities, it may be unable to commercialise its products

The Group currently has limited sales, marketing and distribution capabilities. As a result, it will need to enter into arrangements with third parties to market, sell and distribute certain of its products. However, the Group may not be able to enter into marketing, sales and distribution arrangements with other companies on acceptable terms, if at all. To the extent that the Group enters into such arrangements with other companies, its revenues, if any, may depend on the terms of any such arrangements and the efforts of others. These efforts may not be successful.

The Group may choose to market some of its products directly through its own sales and marketing force, which is not fully established. In order to do this, the Group will have to develop a sales and marketing staff and establish distribution capability. Developing a sales and marketing force may be expensive and time-consuming. If the Group chooses to market any of its products directly, but is unable to establish an effective marketing and sales force, its business will suffer.

The Group faces intense competition and rapid technological change

The Group's target markets are highly competitive and are subject to significant and rapid technological change. There may be other companies or research institutes that are actively engaged in discrete areas of research and development related to cell activation or acclimatisation or the products the Group produces or has under development. Developments by the Group's competitors may render the Group's existing and potential applications and products obsolete or non-competitive.

Some of the competitors of the Group have received regulatory approval for, or are developing or testing, or are currently selling products that compete directly with products the Group is seeking to develop. Many of these companies and institutions, either alone or together with their partners, have substantially greater financial resources and larger research and development divisions than those of the Group. In addition, many of these competitors have significantly greater experience than the Group in:

- developing products;
- undertaking pre-field trial testing and field trials;
- obtaining regulatory approvals of products; and
- manufacturing and marketing products.

Accordingly, the Group may not obtain patent protection, receive regulatory approval or commercialise products before its competitors, if at all. If the Group commences commercial product sales, it will compete against companies with greater manufacturing and marketing capabilities, areas in which it has limited or no experience.

The Group also faces significant competition from other biotechnology companies to establish partnerships, as well as relationships with academic and research institutions, and to franchise or license the production, marketing and sales of its products. These competitors, either alone or with their partners, may succeed in developing technologies or products that are more effective than those of the Group's.

The prospects of the Group are dependent on whether the Group is able to:

- diversify and enhance its product line in order to keep ahead of any developments by its competitors;
- achieve sufficient market penetration within a reasonable period following commercialisation of a product application; and
- establish its products as better than those produced using existing conventional technologies.

As at the date of this prospectus, the Directors believe that the Cheung Kong Group and the Hutchison Group do not carry on any business activities that directly compete with the Group's activities except as described in "Relationship with Major Shareholders — Potential Competition with the Cheung Kong Group and the Hutchison Group". However, neither the Cheung Kong Group nor the Hutchison Group has undertaken not to engage in activities competing with the Group, nor are there any contractual restrictions for them not to do so. Should such groups engage in activities within the Group, the Group's business may suffer.

The Group may be exposed to product liability claims

The business of the Group exposes it to potential product liability risks which are inherent in research and development, pre-field trial testing and field trials, manufacturing and marketing. Product liability claims may be expensive to defend and may result in judgments against the Group which could be punitive. It is generally necessary for the Group to secure certain levels of insurance as a condition for the conduct of field trials and for products for which commercial sales have commenced. The Group currently maintains product liability insurance with specified coverage limits. Although the Directors believe these coverage limits are adequate, they cannot be certain that the insurance policies will be sufficient to cover all claims that may be made against the Group. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Any claims against the Group, regardless of their merit, could cause its business to suffer.

The Group may have difficulty attracting and retaining skilled personnel

Recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to the success of the Group. Although the Directors believe the Group will be successful in attracting and retaining suitably qualified scientific personnel, there can be no assurance that it will be able to attract and retain such personnel on acceptable terms given the competition for experienced scientists from numerous specialised biotechnology firms, pharmaceutical and chemical companies, universities and other research institutions. Failure to recruit and retain such skilled personnel could delay the research and development and product commercialisation programmes of the Group.

The planned expansion of the business of the Group will require additional expertise in areas such as pre-field trial testing, clinical trial management, regulatory affairs, manufacturing and marketing. Such activities will require the recruitment of new personnel, including management, and the development of additional expertise by the existing management team.

The operations of the Group are growing rapidly and if the Group is unable to manage such growth, its business will suffer

The Group intends to expand its operations significantly if development of its products currently undergoing research and development is successful. The growth of the Group's business will be dependent on its ability to manage successfully the expansion of its operations, including whether it is able to:

- integrate new personnel on a timely basis; and
- improve its financial and management controls, reporting systems and procedures.

This growth could place significant strain on the operations of the Group. If the Group's controls, systems or procedures prove inadequate to support its operations, it may be unable to achieve its goals for growth.

RISKS RELATED TO INTELLECTUAL PROPERTY AND REGULATORY ISSUES

The business of the Group depends on its present and future intellectual property rights

The success of the Group will depend in part on whether it is able to obtain and enforce patent protection for its products and processes. As at the Latest Practicable Date, the Group had been granted three patents, had been issued four Notices of Allowance and had a further 20 patent applications pending in the United States. No assurance can be given as to when, if at all, patent rights may be granted or that the patents granted will be sufficiently broad in their scope to provide protection and exclude competitors with similar products. Even when granted the patents may still be susceptible to revocation or attack by third parties. Furthermore, the grant of a patent is no guarantee of a monopoly of the Group to utilise that patent. In certain circumstances a compulsory licence may be granted to a third party permitting it to exploit the Group's granted patents. For example, such a licence may be granted if there is insufficient exploitation by the Group of its patents, or if a refusal by the Group to grant a third party a licence over the Group's patents is preventing that third party from putting its own patented product on the market. The strength of the Group's patent portfolio is therefore uncertain and competitors may be able to design around the Group's patents. The extent to which the Group may be able to enforce its patent rights is also uncertain.

The Group has not filed patent applications for every aspect of its research processes and methods which underlie the Group's products and which may be proprietary. See "Business — Intellectual Property — The Group's patent strategy". There is no assurance that no other party is developing similar products or using the same or similar processes and methods more efficiently than the Group, nor that no other party has obtained or will obtain patents for such products, processes and methods which may be broader in scope, and which would challenge the Group's ability to protect its intellectual property rights.

In addition, it is not possible to determine with certainty whether there are any conflicting third party rights which may affect the Group's current or future commercial strategy. The commercial success of the Group depends significantly on whether it is able to operate without infringing the patents and other proprietary rights of third parties. The processes and methods used by the Group itself may infringe the patents or violate other proprietary rights of third parties. See "— The Group may be exposed to risks of third party claims arising from the previous business activities of the Group's Chief Scientist and may become involved in litigation relating to such claims". There can be no assurance that additional patents have not been obtained by third parties or that additional patents will not be issued to third parties claiming products or processes which would constrain the Group's proposed activities, that the Group will not become involved in costly, and time-consuming litigation, or that third parties owning such patents or other proprietary rights will not obtain injunctions against the Group.

The business of the Group depends on trade secrets and proprietary know-how

The Group also relies upon trade secrets and proprietary know-how, which may or may not be patentable. See "Business — Intellectual Property — The Group's patent strategy". To protect such information, the Group has entered into confidentiality agreements with its officers, employees, consultants and with various third parties restricting the disclosure and use of such information. Such confidentiality agreements may be difficult to enforce. Also, although the Group's Chief Scientist Mr. Cheung and five scientists who previously assisted him are now employees of the Group and are therefore subject to confidentiality agreements, there are other individuals who previously worked with or have been associated with Mr. Cheung who are not subject to any such confidentiality agreement. There can be no assurance that any of such previous co-workers of Mr. Cheung will not use or disclose to third parties proprietary information or know-how obtained while working with Mr. Cheung.

There can be no assurance that the Group's confidentiality agreements provide meaningful protection or that they will not be breached, that the Group would be able to detect any such breach or would have adequate remedy for any such breach or that the Group's trade secrets, proprietary know-how and technological advances will not otherwise become known to others. In addition, there can be no assurance that the competitors of the Group will not independently develop equivalent methods or approaches or know-how or that the Group will be able to prevent the development or the commercial application thereof.

The Group may be exposed to risks of third party claims arising from the previous business activities of the Group's Chief Scientist and may become involved in litigation relating to such claims

The Group's Chief Scientist, Mr. Cheung, operated a research institute and a number of associated companies before he joined the Group. Mr. Cheung also had a number of business relationships with third parties both personally and through the institute and its associated companies. There is a risk that such third parties may make claims or allegations relating to these business relationships which affect the Group's intellectual property rights and/or result in litigation.

Third parties may allege that Mr. Cheung has previously assigned or otherwise transferred interests in his rights to the processes and methods involved in developing or producing the Group's new applications or products. In particular, GP Holdings (International) Limited ("GP Holdings"), claims in its internet web-site Mr. Cheung is the Chairman of such company and claims to be "currently the only company in Hong Kong which can legally develop" a technology which could be construed to be similar to the methods and processes the Group uses in developing its product applications. Mr. Cheung has advised the Company in writing that he has not entered into a licence or any other legal obligation relating to the processes and methods underlying the Group's applications and products with any company, including GP Holdings. The Group and Mr. Cheung have requested that GP Holdings remove statements to such effect from its internet web-site. However, no response has been received from GP Holdings and there can be no assurance that it, or any other third party, will not assert that Mr. Cheung has entered into such a licence or other legal obligation.

Third parties may also allege that the products manufactured and sold by the Group infringe such third parties' intellectual property rights. Beijing TLB Institute, a research institute managed by a company in which Mr. Cheung had a majority interest and which had its business licence revoked in August 2001, and the associated companies of Beijing TLB Institute, had developed a microbial fertiliser and a health drink prior to Mr. Cheung joining the Group. The Beijing TLB Institute and its associated companies produced the processed microbes for the manufacture of the products developed by Mr. Cheung. These products have been distributed by a number of third parties under a range of brand names.

The Directors believe that the Group's products are distinct from the products developed by Mr. Cheung before he joined the Group and which are marketed by third parties. This view is based on a number of factors, including the approval by the US Patent Office of the Group's applications for new patents, and significant differences in the microbes, methods and processes used in the Group's products as compared with those of third parties. Such differences include the use of genetically modified bacteria by such third parties. The Group's products do not use bacteria nor are they produced using genetic modification. The Directors believe that the Group's products, including the NutriSmart™ fertilisers and Vitagain™ health supplements, do not infringe the intellectual property rights of such earlier products or associated contractual rights in manufacturing and distribution. Mr. Cheung has advised the Company in writing that the term of some of the supply contracts with third parties have expired. In addition, Mr. Cheung has advised the Company in writing that he has terminated all other relationships with third parties, and is no longer supplying such parties with processed microbes. However, no written termination agreements have been executed with these third parties. There can be no assurance, however, that a third party will not assert that products manufactured and sold by the Group infringe such third parties' intellectual property rights, or that Mr. Cheung's relationships with such third parties have been improperly terminated. Such third parties could also attempt to require Mr. Cheung to continue to supply such processed microbes. Under his employment contract with the Group, Mr. Cheung has agreed to be responsible for all claims, actions, proceedings and all legal, criminal, civil, economic and other responsibilities and consequences in connection with his own research and development before he joined the Group, and to indemnify and hold harmless the Group and its directors, officers and licensees accordingly.

See "— General Risks Related to the Business of the Group — The Group may be exposed to risks associated with its key employees, including third party claims".

The Group or the relevant third parties may commence litigation with respect to their actual or alleged intellectual property rights, including with respect to those noted above and such litigation, or an adverse outcome thereof, could cause the Group's business to suffer. See "— Risks Related to Intellectual Property and Regulatory Issues — If the Group becomes involved in litigation regarding its products and/or processes and their related intellectual property rights, it may be prevented from commercialising and utilising its products".

There is a risk that the Group may not be able to obtain protection for its intellectual property rights in the PRC or manufacture and sell its products in the PRC

The Group employs a number of scientists who are PRC citizens and who worked in the PRC prior to their employment by the Group. In particular, Mr. Cheung operated a research institute and associated companies in the PRC from 1988, which he left when he joined the Cheung Kong Group in December 1999. The operations of such companies were terminated upon the departure of Mr. Cheung and he completed disposal of his interests in such companies in March 2000. Although the Directors believe that the Group's processes and products have all been developed by the Group's scientists since they joined the Group and are distinct from the products developed by Mr. Cheung before he joined the Group, the relevant regulatory bodies in the PRC may consider the Group's products or processes as incorporating the products or processes previously developed by such scientists in the PRC. As a result, such scientists or the Group could be found to be in breach of the laws and regulations restricting or prohibiting the transfer of intellectual property rights, including patents and patent applications in respect of inventions developed in the PRC, from PRC citizens to foreign parties without approval from the relevant regulatory bodies. If this were to be the case there is a risk that the Group may not be able to obtain patent protection for such products or processes in the PRC. In addition, there is a risk that the Group may not be able to obtain licences to manufacture or sell its products in the PRC or to enforce the restrictive covenants in such scientists' employment contracts with the Group and other contracts with the Group through the PRC courts.

If the Group becomes involved in litigation regarding its products and/or processes and their related intellectual property rights, it may be prevented from commercialising and utilising its products

Litigation regarding patents and other intellectual property rights is common in the biotechnology industry. In the event of an intellectual property dispute, the Group may become involved in litigation. If the Group becomes involved in any litigation, interference or other administrative proceedings, it may incur substantial expense and the efforts of its technical and management personnel may be diverted. The outcome of any such litigation is inherently uncertain. Even if the Group is successful, the litigation may be costly and time-consuming.

Litigation may be necessary to:

- protect and enforce the Group's patents;
- enforce or clarify the terms of the licences the Group grants or may be granted;
- protect the Group's trade secrets or know-how; or
- determine the enforceability, scope and validity of the proprietary rights of third parties and defend against claims of infringement.

If a third party successfully claims an intellectual property right to the products the Group manufactures or the concepts, methods and approach the Group uses, it may force the Group to discontinue an important product or product line, alter its products and processes, pay licence fees, pay damages or account for profits for past infringement or cease certain activities. Under these circumstances, the Group may attempt to obtain a licence to this intellectual property. However, the Group may not be able to do so on commercially reasonable terms, or at all. As a result, the Group may be restricted or prevented from manufacturing and selling certain products.

The Group's operations may be subject to extensive and costly government regulations

Some of the Group's operations are subject to extensive and rigorous government regulations. In particular, the US FDA and other international regulatory agencies regulate in their respective jurisdictions the development, testing, manufacture, safety, efficacy, record-keeping, labelling, storage, approval, advertising, promotion, sale and distribution of potential pharmaceutical products being developed by the Group. Such regulations not only vary by product and activity but also vary by country of manufacture or sale.

To date, the Group has only received the regulatory approvals or licences required for the commercial sale of NutriSmart™ in certain states of the United States (California and Washington). The Group therefore has only limited experience in filing and pursuing applications necessary to obtain certain regulatory approvals and has no experience of obtaining regulatory approvals for pharmaceutical products. The Group cannot predict whether any of its future products will be approved or licensed for marketing and therefore the Group cannot predict whether it will be able to commence commercial production of any of its products that require such approval or licensing.

The regulatory review and approval or licensing process, which includes pre-field trial testing and field trials of each product, can be lengthy, expensive and uncertain, in particular for pharmaceuticals. See "Industry Overview — Overview of the Clinical Trial Procedure". Securing approval from regulatory bodies requires the submission of extensive data in relation to field trials and supporting information to establish the candidate's safety, efficacy and potency. The approval and licensing processes can take many years, require substantial resources, involve post-marketing surveillance and may involve ongoing post-marketing studies. Delays in obtaining regulatory approvals or licensing may:

- adversely affect the successful commercialisation of any product application that the Group develops;
- impose costly procedures on the Group;
- diminish any competitive advantages in the market place that the Group may attain; and
- adversely affect the receipt of revenues by the Group.

Material changes to an approved product, such as manufacturing changes or additional labelling claims, may require further regulatory review and approval before marketing. Once obtained, any approvals may be withdrawn or revoked because of unforeseen safety concerns or failure to comply with governmental regulations. Furthermore, if the Group, its partners or its contract manufacturers fail to comply with applicable local or international regulatory requirements at any stage during the regulatory process, local or international regulatory agencies may impose sanctions, including:

- delays, warning letters or fines;
- importation restrictions, product recalls, seizures or injunctions;
- refusal to review pending applications or supplements to approval applications or withdrawal or revocation of previously approved applications or licences;
- total or partial suspension of production; or
- civil penalties or criminal prosecutions.

The Directors believe that none of the Group's products should be characterised as "genetically modified" products as the Group does not change the characteristics of genes by introducing new genetic material, but instead activates the functions of cells using biophysical or biochemical methods. Existing and future legislation and regulation regulates and may increase the regulation of biotechnology companies involved in genetic modification. In addition many different countries have adopted restrictive laws and regulations governing genetic modification, each of which contains a different legal definition of "genetic modification", which in general is widely drafted. A wider interpretation of such legal definitions and stronger public attitudes may influence laws and regulations governing the ownership or use of genetic material, which could result in greater government regulation of the Group's products and processes.

POLITICAL AND ECONOMIC RISKS

There are political and economic risks associated with doing business internationally

The Group's main research and development facility and its administrative headquarters operations are currently located in Hong Kong. However, the Group intends to manufacture and sell its products in a wide range of countries, including Australia, Indonesia, Malaysia, Myanmar, the Philippines, the PRC, Thailand, the United States, Vietnam and within the European Union. The Group's business prospects could be adversely affected by any of the following events occurring in its major markets or centres of production:

- changes in political, economic and social conditions;
- changes in government policies, laws and regulations (or the interpretation thereof);

- measures which may be introduced to control inflation and regulate economic expansion;
- changes in banking regulations which may affect inflows and outflows of foreign exchange;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion;
- currency depreciation or currency devaluation; or
- changes in tariff rates and other import restrictions.

A change in currency exchange rates could increase the costs relating to the revenues of the Group

Historically, substantially all the revenues, expenses and liabilities of the Group have been denominated in Australian dollars, Renminbi, Hong Kong dollars and US dollars. In the future, the Group may conduct business in jurisdictions which could generate revenues, expenses and liabilities in other currencies. As a result, the Group will be subject to the effects of exchange rate fluctuations with respect to the different currencies in which its revenues, expenses and liabilities are denominated. The Group has not entered into agreements or purchased instruments to hedge its exchange rate risks although it may do so in the future.

RISKS RELATED TO THE SHARES

There may be potential future dilution of shareholders' interests

As the Group is engaged in biotechnology businesses which are experiencing rapid growth, it is anticipated that funding may be required from time to time to finance the expansion of the Group's business and operations. As opportunities arise, the Directors will consider the funding options available to them at that time, which may include the issue of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders of the Company may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares.

Furthermore, subject to relevant legal and regulatory obligations, the Company may consider listing the Shares with or without a follow-on offering, or spin-off its subsidiaries or assets for the purpose of obtaining a listing on another stock exchange if an appropriate opportunity arises and the Directors consider such listing and/or spin-off to be in the best interest of the Group. Any such action may also potentially dilute the interests of the shareholders of the Company.

The major shareholders of the Company exercise significant influence over the Group and will continue to do so after the Share Offer. The Group may have potential business conflicts of interest with the major shareholders of the Company that could harm its business operations

Immediately prior to the Share Offer, the Cheung Kong Group, private companies of Mr. Li Ka-shing and Mr. Cheung (the Group's Chief Scientist) owned approximately 55.29%, 36.86% and 7.84% respectively of the issued share capital of the Company and will continue to own approximately 44.02%, 29.34% and 6.24% respectively of the share capital of the Company after the completion of the Share Offer (assuming they do not subscribe for Offer Shares in the Share Offer and the Over-allotment Option is not exercised).

Accordingly, the Initial Management Shareholders will have significant influence in determining the outcome of any corporate transaction or other matter submitted to shareholders for approval, including mergers, consolidations and sale of all or substantially all of the Group's assets, and will have the power to prevent or cause a change in control. The interests of the Initial Management Shareholders may differ from the interests of the Company's other shareholders.

The Group may be adversely impacted by the significant influence that the Initial Management Shareholders will have with respect to matters affecting it. Conflicts of interest may arise between the Initial Management Shareholders and the Group in a number of areas relating to the Group's past and ongoing relationships, including:

- major business combinations involving the Group;
- sales or distributions by the Initial Management Shareholders of all or any portion of their ownership interest in the Company; and
- business opportunities that may be attractive to both the Initial Management Shareholders and the Company.

With the exception of Mr. Cheung, nothing restricts the Initial Management Shareholders from competing with the Group. The Group may not be able to resolve any potential conflicts, and even if it does, the resolution may be less favourable than if it was dealing with an unaffiliated party. If the Group is unable to manage or resolve these potential conflicts, its business may suffer.

An active trading market for the Shares may not develop and their market price may be subject to volatility

Prior to the Share Offer, there has been no public market for any of the Shares. An active public market for the Shares may not develop or be sustained after the Share Offer. Although the Offer Price was determined based on several considerations, the market price after the Share Offer may fluctuate significantly in response to a number of factors, some of which are beyond the control of the Group, including:

- changes in estimates of the Group's financial performance by securities analysts, newspaper and other media reports;
- changes in market valuation of biotechnology businesses in general and investor perceptions of the Group and its products;
- stock market price and volume fluctuations;
- announcements of technological innovations, new products or the results of trials by the Group or its competitors;
- announcements by the Group or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments and loss of a major strategic partner by the Group or its competitors;
- additions or departures of key personnel;
- changes in product pricing made by the Group or its competitors;
- release of lock-up or other transfer restrictions on the Group's outstanding Shares or issuance of additional Shares or disposals of Shares by major shareholders;
- litigation or regulatory proceedings; and
- general economic and other factors.

ISSUES TO CONSIDER IN RELATION TO STATEMENTS MADE IN THIS PROSPECTUS

Certain statistics are derived from unofficial publications

Certain statistics in this prospectus relating to the industries in which the Group competes and the markets in which it sells its products, including statistics relating to market size, are derived from various unofficial publications, in particular, those produced by industry associations and research groups. Such information has not been independently verified by the Group and may not be accurate, complete or up-to-date. The Group makes no representation as to the correctness or accuracy of such statements and, accordingly, such information should not be unduly relied upon.

There may be possible deviation in use of proceeds from the Share Offer from the intended use

The intended use of the proceeds from the Share Offer is set out under "Use of Proceeds". It is the Directors' current intention to apply the net proceeds from the Share Offer in the manner as described in such section. However, as new business opportunities arise or as unforeseen events occur, the Directors may (if they consider it to be in the best interests of the Group) reallocate all or part of the net proceeds to other business plans or new projects or to other uses or hold such funds in bank accounts or short term securities, as a consequence the actual application of the proceeds from the Share Offer may deviate from the intended use as described in this prospectus. In addition, the business plan of the Group as described under "Statement of Business Objectives and Strategies" is based on assumptions of future events which by their nature are subject to uncertainty and there is no assurance that the plans of the Group will materialise as intended. The Company will issue an announcement in the event there is a material deviation in the use of the Share Offer proceeds from the intended use as described in this prospectus.

Forward-looking statements contained in this prospectus may not be fulfilled

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "may", "will" "expect", "anticipate", "estimate", "continue", "believe" and other similar words. The Group has made forward-looking statements with respect to the following, among other things:

- the objectives and strategies of the Group;
- the importance and expected growth in the development of biotechnology products and the markets in which they are sold;
- the growth in demand for the Group's products;
- the ability of the Group to execute its expansion plans; and
- the ability of the Group to complete the Company's anticipated use of proceeds.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements or industry results of the Group, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and the future business strategies of the Group and the environment in which the Group will operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of its key personnel, failure to obtain grants of patent applications or regulatory approvals, changes relating to the biotechnology industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section. These forward-looking statements speak only as of the Latest Practicable Date.

Applications using an ESP are still at an early development stage in Hong Kong and there can be no assurance that applications made for Offer Shares using an ESP will result in all or any such applications being validly submitted

Applications using an ESP have been available for relatively few initial public offerings in Hong Kong and the ESP system is still at an early stage of development. None of the Company, the Underwriters nor any of their respective directors, officers, employees, partners, agents or advisers can guarantee the effectiveness or soundness of such a method of application. There can be no assurance that applications using an ESP will result in all or any of such applications for the Offer Shares being validly submitted on behalf of the persons using this application method. Persons applying for Public Offer Shares using an ESP which offers Internet-based share applications bear the risks associated with conducting transactions through the Internet including: (i) interruption, transmission blackout or delayed transmission; (ii) incorrect data transmission due to the public nature of the Internet; (iii) that information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that damage may be caused to the computer software or hardware of users or visitors to ESPs' websites by virus transmission from, or technical defects of, these websites. If applications using an ESP do not result in application(s) for the Public Offer Shares being validly submitted on behalf of the persons using this application method, the Public Offer could be materially affected.

For the purpose of the listing of the Shares on GEM, the Company has sought a waiver from the Stock Exchange in relation to certain requirements under the GEM Listing Rules. Details of such waiver are described below.

WAIVER IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

The Company has applied for waiver from the announcement and shareholders' approval requirements as required under Rule 20.35 and Rule 20.36 of the GEM Listing Rules for the continuing connected transactions contemplated under the Production Services Arrangement (as defined and detailed under "Relationship with Major Shareholders — Connected Transactions" and to be referred to as, the "Connected Transactions").

As the Connected Transactions are expected to continue in future after the listing of the Shares, the Connected Transactions constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules. Under the GEM Listing Rules, such transactions are normally subject to the reporting and announcement requirements set out in Rule 20.34 and Rule 20.35 of the GEM Listing Rules respectively and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules.

However, as the Connected Transactions will be undertaken in the normal course of business of the relevant members of the Group and will occur on a regular basis, the Directors consider that it would not be practical to make ongoing disclosure of such transactions. The Company has therefore made an application to the Stock Exchange for a waiver from announcement and shareholders' approval requirements for a maximum period of one year from the Listing Date as required under Rule 20.35 and Rule 20.36 of the GEM Listing Rules for the Connected Transactions and the Stock Exchange has indicated that such waiver will be granted on condition that:

(a) the aggregate amount relating to the Production Services Arrangement does not exceed HK$12,000,000 in the year ending 31 December 2002 and HK$30,000,000 in the year ending 31 December 2003;

(b) details of the Connected Transactions will be disclosed in the Company's annual report as described in Rule 20.34(1) to (5) of the GEM Listing Rules;

(c) the independent non-executive directors of the Company shall review the Connected Transactions annually and confirm in the Company's next annual report and accounts that the relevant Connected Transactions have been entered into:

    (i) in the ordinary and usual course of business of the Group;

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

    (iii) in accordance with the relevant agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;

(d) each year the auditors of the Company must provide a letter to the Board (with a copy to the Stock Exchange) confirming that the relevant Connected Transactions:

    (i) have received the approval from the Board;

    (ii) have been entered into in accordance with the relevant agreement governing the transactions; and

    (iii) have not exceeded the relevant cap amount set out in paragraph (a) above;

(e) where the cap amount in any financial year is to be greater than the higher of HK$30,000,000 or 3% of the net tangible assets of the Group, the relevant Connected Transactions and the cap amount are subject to review and approval by independent shareholders at the annual general meeting;

(f) the Company shall promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive directors and/or the auditors will not be able to confirm the matters set out in Rule 20.27 and/or Rule 20.28 of the GEM Listing Rules respectively and may have to re-comply with Rule 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and

(g) the Company shall comply with all disclosure and shareholders' approval requirements of the GEM Listing Rules after expiration of one year from the date of the Listing unless a further waiver has been granted by the Stock Exchange.

The Directors (including the independent non-executive Directors) are of the view that the Connected Transactions have been and will be entered into on normal commercial terms, in the ordinary course of business of the Group and the transactions are and will be fair and reasonable to the Company and its shareholders taken as a whole. Relying upon such confirmation by the Directors and based on the documents and information provided by the Company, Salomon Smith Barney is of the view that the Connected Transactions have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable as far as the Company's shareholders as a whole are concerned and are in the interests of the Group.

In the event that the relevant cap is exceeded or if any member of the Group enters into any new transactions or agreements with any connected persons (within the meaning of the GEM Listing Rules) in the future, the Company will comply with the provisions of Chapter 20 of the GEM Listing Rules dealing with connected transactions, unless it applies for, and obtains, a separate waiver from the Stock Exchange. In addition, if any of the non-exempt continuing connected transactions shall continue after the expiry of the current waiver, the Company will comply with the provisions of Chapter 20 of the GEM Listing Rules in relation to such non-exempt continuing connected transactions, unless it applies for, and obtains another waiver from the Stock Exchange in relation thereto.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading;
2. there are no other matters the omission of which would make any statement in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus, the **WHITE** and **YELLOW** application forms and the ESP Application Forms set out the terms and conditions of the Public Offer. For applicants under the Preferential Offer, this prospectus and the **BLUE** application form set out the terms and conditions of the Preferential Offer.

The Share Offer comprises the Public Offer of initially 130,700,000 Public Offer Shares and the Placing of initially 1,176,300,000 Placing Shares, both at the Offer Price.

The Public Offer is sponsored by Salomon Smith Barney, and is fully underwritten by the Public Offer Underwriters. The Placing is managed by Salomon Smith Barney and is fully underwritten by the Placing Underwriters.

If, for any reason, the Offer Price is not agreed between Salomon Smith Barney (on behalf of the Underwriters) and the Company, the Share Offer will not proceed.

SELLING RESTRICTIONS

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus to the public in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

United States

The Offer Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the offer of Offer Shares, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act.

United Kingdom

Each Underwriter has represented, warranted and agreed that:

(1) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Offer Shares, will not offer or sell any Offer Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Japan

The Share Offer has not been and will not be registered under the Securities and Exchange Law of Japan. The Offer Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an applicable exemption from the registration requirements of the Securities and Exchange Law of Japan and any other applicable Japanese law.

Cayman Islands

No offer of Shares may be made to the public in the Cayman Islands.

General

Each person acquiring the Offer Shares will be required to, or is deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue, Shares to be issued to the Company's existing shareholders pursuant to the Capitalisation Issue, the Offer Shares which are to be issued pursuant to the Share Offer and Shares which may fall to be issued upon exercise of the Over-allotment Option and of options to be granted under the Share Option Scheme. No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and at present no such listing or permission to deal is being proposed to be sought.

Pursuant to Rule 11.23(1) of the GEM Listing Rules at the time of listing and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 20% of the issued share capital of the Company in the hands of the public.

HONG KONG BRANCH REGISTER

All Shares issued pursuant to applications made in the Share Offer will be registered on the Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on GEM.

STAMP DUTY

The sale, purchase, transfer of and dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert.

The Company, the Directors, the Underwriters, any of their respective directors and any other person involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, or purchase, holding or disposal of, or dealing in or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES AND RESERVED SHARES

The procedure for applying for the Public Offer Shares and Reserved Shares is set out under "How to apply for Public Offer Shares and Reserved Shares", "Terms and Conditions of the Public Offer" and on the relevant application forms.

The Company and/or Salomon Smith Barney shall have full discretion to reject any application for the Offer Shares in full or in part.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer are set out under "Structure of the Share Offer".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Li Tzar Kuoi, Victor	79, Deep Water Bay Road, Hong Kong	Chinese
Kam Hing Lam	2nd Floor, 1 Kotewall Road, Hong Kong	Chinese
Ip Tak Chuen, Edmond	Apt. B, 3/F, Block 1, Southside Villas, No. 9 Shouson Hill Road, Hong Kong	Chinese
Yu Ying Choi, Alan Abel	Flat 02, 34/F, Block B, Beverly Hill, 6 Broadwood Road, Hong Kong	British
Pang Shiu Fun	41D, Tower 9, Island Harbourview, Hoi Fai Road, Tai Kok Tsui, Kowloon Hong Kong	Chinese
Chu Kee Hung	Apt. 17A, Tower II, Robinson Heights, 8 Robinson Road, Hong Kong	United States
Lam Hing Chau, Leon	27D, Blessings Garden, Phase I, 95 Robinson Road, Hong Kong	Chinese
Non-Executive Directors		
Kwan Chiu Yin, Robert	4A, MacDonnell House, 6-8 MacDonnell Road, Hong Kong	British
Tulloch, Peter Peace	0887 Tower 16, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	British
Independent Non-Executive Directors		
Kwok, Eva Lee	6040 Eagleridge Drive, West Vancouver, BC, Canada	Canadian
Wong Yue-chim, Richard	28A, Block 1, Estoril Court, 55 Garden Road, Hong Kong	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Global Co-ordinator, Sponsor and Lead Manager	Salomon Smith Barney Hong Kong Limited 20th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Public Offer Underwriters	Salomon Smith Barney Hong Kong Limited 20th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
	BNP Paribas Peregrine Securities Limited 36/F, Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong
	BOCI Asia Limited 35th Floor, Bank of China Tower, No. 1 Garden Road, Hong Kong
	CLSA Limited 18/F, One Pacific Place, 88 Queensway, Hong Kong
	ICEA Capital Limited 42nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 15, 1 Queen's Road Central, Hong Kong
	CEF Capital Limited Suite 2001, 20/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
	China Everbright Capital Limited 40/F Far East Finance Centre, 16 Harcourt Road, Hong Kong
	Core Pacific-Yamaichi International (H.K.) Limited 36/F., Cosco Tower, Grand Millennium, 183 Queen's Road Central, Hong Kong

FB Gemini Securities Limited
2116 Hutchison House,
10 Harcourt Road,
Central,
Hong Kong

ING Bank N.V.
39/F One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

SG Securities (HK) Ltd.
41/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

South Capital Brokerage Limited
Room 2801, 28/F, The Center,
99 Queen's Road Central,
Hong Kong

Sun Hung Kai International Limited
Level 12, One Pacific Place,
88 Queensway,
Hong Kong

Worldsec International Limited
11th Floor, Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

Placing Underwriters

Salomon Smith Barney Hong Kong Limited
20th Floor, Three Exchange Square,
8 Connaught Place,
Central,
Hong Kong

BNP Paribas Peregrine Securities Limited
36/F, Asia Pacific Finance Tower,
3 Garden Road,
Central,
Hong Kong

BOCI Asia Limited
35th Floor, Bank of China Tower,
No. 1 Garden Road,
Hong Kong

CLSA Limited
18/F, One Pacific Place,
88 Queensway,
Hong Kong

ICEA Capital Limited
42nd Floor,
Jardine House,
1 Connaught Place,
Central,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15, 1 Queen's Road Central,
Hong Kong

CEF Capital Limited
Suite 2001, 20/F, Cheung Kong Center,
2 Queen's Road Central,
Hong Kong

China Everbright Capital Limited
40/F Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Core Pacific-Yamaichi International (H.K.) Limited
36/F., Cosco Tower, Grand Millennium,
183 Queen's Road Central,
Hong Kong

FB Gemini Securities Limited
2116 Hutchison House,
10 Harcourt Road,
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ING Bank N.V.
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SG Securities (HK) Ltd.
41/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

South Capital Brokerage Limited
Room 2801, 28/F, The Center,
99 Queen's Road Central,
Hong Kong

Sun Hung Kai International Limited
Level 12, One Pacific Place,
88 Queensway,
Hong Kong

	Worldsec International Limited 11th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Legal advisers to the Company	*as to Hong Kong law* Woo, Kwan, Lee & Lo 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
	as to Cayman Islands law Maples and Calder Asia 1504 One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Legal advisers to the Global Co-ordinator, Sponsor, Lead Manager and Underwriters	*as to Hong Kong law* Linklaters 10th Floor, Alexandra House, Chater Road, Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 26th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 10th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Receiving bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong and Standard Chartered Bank 15th Floor, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Hong Kong and Bank of China (Hong Kong) Limited 1 Garden Road, Central, Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 309 GT, 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, No. 2, Queen's Road Central, Hong Kong
Company secretary	Yeung, Eirene, LL.B, Solicitor, MBA 16/F, Flat C, Block 27, Baguio Villa, Victoria Road, Hong Kong
Qualified accountant	Lam Hing Chau, Leon, FHKSA, FCCA, FCPA
Compliance officer	Lam Hing Chau, Leon
Members of the Audit Committee	Kwok, Eva Lee Wong Yue-chim, Richard
Authorised representatives	Ip Tak Chuen, Edmond Yeung, Eirene
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
Hong Kong 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
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong

Information in this section has been extracted from publicly available sources including the Internet and various private or public publications. This information has not been prepared or independently verified by the Company, Salomon Smith Barney, the Underwriters or their respective advisers.

MARKET OPPORTUNITIES

The global biotechnology sector can be characterised as an industry with growth potential and an increasing level of competition. According to the Biotechnology Industry Organization (an organisation based in the US that represents biotechnology companies, academic institutions, state biotechnology centres and related organisations), the total number of United States biotechnology related patents granted tripled from approximately 3,000 patents in 1992 to 9,000 patents in 1999. The biotechnology industry is also one of the most research intensive industries globally, with the United States biotechnology sector alone spending US$13.8 billion in research and development in 2000, substantially higher than the US$4.9 billion spent in 1992.

In Asia, the biotechnology sector is gaining importance and establishing a stronger presence in the region. Since capital is the main driver for biotechnology success, most governments in Asia have spent, or committed to spend, substantial amounts on developing new infrastructure to provide the necessary backbone to deliver innovative products, build fast-growing enterprises, attract international investment and create high-value employment opportunities. For instance, Japan has witnessed a significant increase in funds setting up investment in bioventures in the past two years, with an estimate of approximately 220 bioventures at present. Singapore is aiming to establish itself as a major regional hub for science and technology, having invested already approximately US$20 billion in research and industrial parks. In Hong Kong, construction of a government funded science and technology park was completed in 2001, of which one-fifth was set aside for biotechnology companies. In Australia, the government is committed to spending US$130 million each year from 2001 to 2005 on the biotechnology sector, and countries such as India, China and Malaysia are also beginning to promote the development of biotechnology businesses.

Eco-agriculture - Fertilisers

According to the International Fertilizer Industry Association (an organisation based in France promoting the production and use of plant nutrients), from the 1993/1994 'fertiliser year' (i.e. 1 July to 30 June) to the 1999/2000 fertiliser year, global fertiliser nutrient consumption increased from 120 million tons to 140.5 million tons, the highest level in twelve years. Demand was largely stimulated by favourable economic conditions and an increasing appreciation of the economic benefits of fertilisers in developing countries. During the 2000/2001 fertiliser year, global consumption of fertilisers is estimated to have registered a 3.3% decline, the first decrease in eight years due to factors such as severe drought conditions in Europe, declining acreage, reduced rates of fertiliser usage in North America, as well as concerns regarding the effects of fertilisers on the environment.

The following table sets out estimates for the volume of fertiliser nutrients consumed globally in 1999/2000 and 2000/2001:

Nutrient	1999/2000	2000/2001	% Change
	(Millions of tons of nutrients)		
Nitrogen	85.0	81.7	-3.9%
Phosphate	33.4	32.2	-3.6%
Potash	22.1	21.9	-0.9%
Total	140.5	135.8	-3.3%

Source: International Fertiliser Industry Association

Asia is estimated to have accounted for approximately 50% of global fertiliser consumption in 2000/2001. Six countries together accounted for 90% of fertiliser usage within Asia in 2000/2001, with China alone accounting for half of Asia's demand, followed by India (25%), Indonesia (4%), Pakistan (4%), Vietnam (4%) and Thailand (3%). Based on a survey conducted for the Group by independent consultants, the Group estimates the current total market to be worth between US$40-45 billion.

Eco-agriculture - Animal feed additives

The global sales of animal health and nutrition products amounted to US$18.4 billion in 1999. The global market for antibacterials accounted for 27% of this figure, equivalent to US$4.9 billion. Antibacterials may be classified into pharmaceutical antibacterials and animal feed additives i.e. those that are applied in livestock feed. Animal feed additives are further classified into therapeutics (i.e. those used to treat or prevent diseases), growth promoters and anticoccidials (substances used for the prevention and control of infection of the intestinal tract caused by cell parasites).

Sales of animal feed additives fell by 17% to US$2.2 billion in 1999, due to restrictions on the use of growth promoters and the poor market conditions in the global pig industry. The restrictions on the use of growth promoters is part of reason for the growth in the use of pharmaceutical antibacterials, as farmers switch from a prophylactic to a therapeutic approach, treating diseases as they occur.

The United States is the largest market for antibacterials, with sales of US$1.3 billion in 1999. China is the second largest market, with sales estimated at US$250-350 million in 1999, although reliable statistics are not available. Sales of antibacterials in Japan amounted to US$222 million in 1999. In Europe, the three largest markets are France (US$252 million), Germany (US$172 million) and Spain (US$167 million).

The antibacterial industry is faced with challenges caused by continuing attempts to ban antibacterials or restrict their use due to concerns about resistance problems, which increases the market opportunity for the development of a replacement product, such as an organic animal feed additive.

Bioremediation

According to Environmental Business International, Inc., a research, consulting and publishing firm for the environmental industry based in San Diego, California, in the United States, the global environmental market was valued at US$485 billion in 1998 and is estimated to reach US$529 billion by 2002:

	1998	2002	
	(US$ billion)	(US$ billion)	% of Total
Waste water treatment	186	206	39%
Waste management	181	193	36%
Air pollution control	31	34	7%
Consulting & services	39	42	8%
Resource recovery & energy	48	54	10%
Total	485	529	100%

Source: Environmental Business International, Inc., The Global Environmental Market by Segment, 1996-2002

The wastewater treatment sector is the largest in the environmental industry, accounting for approximately 39% of the market. The wastewater treatment sector can be further broken down into three major segments: water equipment and chemicals, water treatment works, and water utilities. The water equipment and chemicals market represents almost 23% of the sector and is estimated to register an annual growth of 2.3% between 1998 and 2002 to reach US$47 billion.

	1998	2002	
	(US$ billion)	(US$ billion)	% of Total
Water equipment and chemicals[1]	42	47	23%
Water treatment works[2]	69	77	37%
Water utilities[3]	75	82	40%
Total	186	206	100%

Source: Environmental Business International, Inc., The Global Environmental Market by Segment, 1996-2002.

Notes:

(1) Equipment, supplies and maintenance in the delivery and treatment of water and wastewater.

(2) Collection and treatment of residential, commercial and industrial wastewaters. Facilities are commonly known as POTWs, or publicly owned treatment works.

(3) Selling water to end users.

Despite recent flat growth in the overall remediation market in the United States, revenues from the sales of bioremediation products and services in the treatment of site contamination have continued to increase in recent years. EPA data for the United States indicates that bioremediation is now being used more often than in the past, although selection of bioremediation at Superfund sites (sites designated by the EPA as environmentally hazardous) has levelled off in the last two to three years. The greatest driver of continued growth is the increasing acceptance of bioremediation as a viable treatment technology. Technological advances are broadening bioremediation's scope beyond its traditional base of simple hydrocarbon clean-ups. As a result of this growing acceptance, most mainstream environmental consulting firms in the United States have developed bioremediation expertise in the past seven to nine years. This trend should continue as bioremediation methods become better established and accepted.

Pharmaceuticals

According to IMS Health (a provider of information solutions to the pharmaceutical and healthcare industries), sales of global pharmaceutical products had a total value of approximately US$364 billion in 2001, of which North America represented the biggest market with a 49.9% share.

A notable trend of the industry is consolidation. The world's top 10 manufacturers together held a 48.0% share in the global pharmaceutical market in 2001. While the pharmaceuticals industry is highly profitable, it has been challenged by the lack of a significant number of new innovative drugs, by the patent expiry of older products and the number of generic products entering the market.

Antiulcerants, cholesteral and triglyceride reducers and anti-depressants were the leading products in 2001, representing approximately 6%, 5% and 5% of the global pharmaceutical market sales respectively. Also considered substantial opportunities are HIV and cancer drugs, owing to increasing number of sufferers and the need for more effective solutions.

HIV drugs

WHO estimates that at the end of 2001 the number of people infected with HIV/AIDS worldwide had reached 40 million *(Source: WHO, "Weekly Epidemic Record", December 2001)*. WHO has also estimated that during 2001 five million people became infected with HIV. The HIV/AIDS epidemic continues to claim a large number of lives, with an estimated three million deaths during 2001. Although an increasing number of people who are HIV-positive can live longer and healthier lives as a result of antiretroviral therapies (for the restoration of damaged or lost immunity and the generation of new immune responses), development of effective drugs remains a challenge and represents a large market for pharmaceutical companies.

The HIV drug market is expected by WHO to almost triple in size by 2007, with sales growing from US$5 billion to over US$13 billion by 2007. Growth in the HIV drug market is expected to continue to be driven by a growing HIV and AIDS population. In the absence of therapeutic intervention, the vast majority of individuals infected with HIV will ultimately develop AIDS, on average in approximately ten years, which has a mortality rate approaching 100%. It is believed that the drugs currently available are only capable of extending life, on average by approximately 1.8 years. Continuous improvement, in terms of efficacy, side effects and dosage is being undertaken with existing treatments. However, new drugs and adjunct therapies with novel mechanisms of action or unique resistance profiles are needed in the fight against HIV.

Today, there are approximately 18 AIDS drugs on the global market, falling into three general classes: Nucleoside Reverse Transcriptase Inhibitors, Protease Inhibitors and Non-Nucleoside Reverse Transcriptase Inhibitors. These drugs are usually used in combinations of three or more to create an effective therapy. In addition, almost 100 new drug applications have been submitted to the FDA for clinical trials in HIV candidates.

Cancer drugs

According to WHO, the global incidence of cancer is increasing due to rapidly aging populations in most countries around the world. By 2020, WHO estimates that there will be approximately 20 million new cancer patients each year. Cancer is the second leading cause of death in the United States and the American Cancer Society estimates that half of all men and one-third of all women in the United States will develop cancer during their lifetime. Annual costs related to cancer in the United States totalled US$157 billion in 2001, of which approximately 36% was attributed to direct medical costs. Cancer consists of many different diseases and, as a result, requires different types of diagnostic techniques for detection and different types of therapies for treatment.

The total sales of the world-wide cancer therapeutics market is currently around US$15.4 billion. Sales of the top ten cancer drugs currently on the market represent 60% of the world market, with the top 20 representing about 82%.

There have been scientific efforts to develop effective cancer treatments for decades, however a cure for the disease remains one of medicine's biggest unmet needs. Progress in developing effective treatments has been slow, despite improvements in molecular biology and clinical chemistry, and notwithstanding the improvements made in maintaining and interpreting morbidity and mortality data.

Nutraceuticals

As the focus of medical research extends from traditional therapeutic remedies to a range of substances taken as supplements to food, a new category of products generally known as "nutraceuticals" has gained increasing importance in the past decade. This category of products ranges from traditional foods, isolated nutrients, herbs, plants, to dietary supplements, herbal products, processed cereals, soups, and beverages.

Dr. Stephen DeFelice, founder and chairman of The Foundation for Innovation in Medicine (a non-profit organisation dedicated to increasing medical research and discovery), estimates the potential sales in the nutraceuticals market at US$250 billion. Other more conservative estimates of sales amount to approximately US$60 billion in 1999/2000.

Category	Sales (US$ million)
Functional food drinks	13,858
Nutritional supplements	46,000
Total	59,858

The global functional food drinks market, defined as soft drinks with added health benefits, was valued at US$13.86 billion in 2000. The market is divided into three main categories, sports drinks, energy drinks and other functional drinks that include enriched vitamin, mineral juices and drinks, herbal beverages and the more specialist nutraceutical drinks.

The following table sets out the total sales of the global functional food drinks market in 2000:

Category	Sales (US$ million)	% Share
Sports drinks	6,295	45.4
Energy drinks	3,501	25.3
Others	4,062	29.3
Total	13,858	100.0

Source: Leatherhead Food RA (an international research, information and training centre for the food and drinks industry).

Overall, the upward growth trend in the functional food drinks market is likely to continue over the next five years, with average annual double-digit sales growth estimated to reach over US$24 billion by 2005. Energy drinks are likely to lead growth, although nutraceutical drinks will also show very strong increases.

Sport drinks are the largest sector in the functional food and drinks market, accounting for almost 69% of the market by volume and 45% of the market by value. The energy drinks market is still relatively new and under-developed outside Japan, but has grown in recent years, driven in part by the expansion of promotion of the Red Bull brand, which brought the concept of stimulation drinks to the Western market.

The nutritional supplement category consists of products such as vitamin C and Gingko. This segment was estimated to account for US$46 billion of sales in 1999. Sales in the United States amounted to approximately US$14 billion.

Dermatologicals

Between 1995 and 1999, consumer expenditure on personal hygiene and cosmetics items increased by 14% to just under US$250 billion. Skin care is the second largest sector in terms of sales, with sales of US$32.8 billion in 2001. Facial products continued to account for the highest proportion of this sector's sales.

The cosmetics market is expected to expand by 28.3% between 2002 and 2005. A growing sector of skin care is cosmeceuticals, which combine medical and cosmetic approaches. The expansion of this sector has been an element in the increasing sophistication of product ranges in general. Another industry trend is the inclusion of natural ingredients, which has become an increasingly important marketing tool due to the widely held consumer perception of natural ingredients as being inherently beneficial. Natural care products are now present across the full range of skin care products.

Market growth has also been attributed to the rise in new forms of products that are either more convenient to use and easier to apply, or offer enhanced product versatility, with added-value features. Skin care growth in a number of markets has been driven by the introduction of products such as anti-ageing moisturisers and anti-wrinkle formulations.

THE PATENT SYSTEM

A patent is a national right enforceable by its proprietor to prevent others from commercially exploiting an invention. Whilst the criteria of patentability differ slightly from country to country, the basic requirements are similar, namely:

- Novelty — The invention must be new. For most countries, this means that the invention must not be disclosed, either by the inventor or anyone else, prior to the filing of a patent application;
- Inventive step — A patent will only be granted for an invention which involves an "inventive step" or, in other words, is "non-obvious" to a person skilled in the relevant art;
- Industrial applicability/utility — The patent system is intended to be limited to the useful arts, those that have industrial applicability or utility; and
- Patentable subject matter — Certain potential inventions are defined as not being patentable, as a matter of statute law. In Europe, these include plant and animal varieties, essentially biological processes for the production of plants and animals, computer programmes and mathematical and business methods. US statute law does not enumerate a list of unpatentable subject matter in the way that European patent law does; the exclusions on patentable subject matter in the United States are more limited.

Even if an invention is in principle patentable, an applicant may only be granted a patent if the application fulfils certain conditions. In Europe, the application must contain a sufficiently clear and complete disclosure of the invention to enable a person skilled in the art to put it into effect; and the claims, which define the invention to be protected, must be clear, concise and supported by the description. In the United States, the comparable provisions are supplemented by the additional requirement that the applicant provides a written description of the invention and the best mode contemplated by the applicant for carrying it out.

Although patents are national rights, there is a large degree of international co-operation which means a prospective patent applicant does not need to file applications at the outset in all countries in which patent protection is desired. The Paris Convention for the Protection of Industrial Property (the "Paris Convention") provides that, where a patent application has been filed in one of the contracting states to the Paris Convention (which includes most industrialised countries of the world), further applications for the same invention may be filed up to one year later in other contracting states. Providing certain formalities are complied with, those later applications are generally treated as if they were filed on the date of the first application. This priority system is of great practical importance. For example, it enables a person to file a single application, say in the United States, and then consider, over the course of the next 12 months, the countries in which patent protection is to be pursued around the world.

At the stage of 12 months after the initial priority filing, there are three ways of filing patent applications in additional countries:

- file separate national patent applications in each of the countries in which protection is sought;
- file an application at the European Patent Office designating countries which are a party to the European Patent Convention ("EPC"). A European patent application is processed centrally and, if successful, matures into a bundle of national patent rights in each of the designated countries, each of which can be enforced separately through the national courts against an infringer;
- file an application under the PCT. This is a single application designating the countries in which patent protection is sought. Once filed, a PCT application is the subject of an international search to discover relevant prior art in order to assess novelty and inventiveness. It may also be the subject of an international preliminary examination. The international application then splits into a series of national patent applications (or regional patent applications, such as a European patent application), which will proceed through the various national examination processes towards grant.

Regardless of which of the above routes is adopted, the result will be a family of related patent applications for the same invention in examination before the patent authorities of the relevant jurisdictions.

The procedure from filing to grant varies from country to country but, in general terms, it is likely to include an examination of the application by the national patent office to assess patentability. The patent examiner will examine the application and may raise rejections and/or objections. The applicant will need to overcome each of these rejections or objections, which may require amendment of the application, before the patent will be granted. Thus, the fact that a patent application is pending is no guarantee that a patent will be granted nor that, assuming it is granted, its scope will be as broad as that which was the subject of the initial application. The procedure may also include publication of the application, which may take place during or after the examination procedure. In some countries, publication may be followed by a further examination procedure and/or a period during which third parties may make observations on, or oppose, the published application.

In the United States, upon satisfactory responses to questions raised by the Examiner, a Notice of Allowance is issued to indicate that the patent application qualifies to be "allowed". After successful completion of further procedures, a Certificate of Grant will be issued confirming that the patent has been "granted".

Generally, an applicant can only bring an action for patent infringement once the patent has proceeded to grant in the relevant country. Even if a patent has been granted, its validity can be called into question either in specific proceedings for that purpose or in an infringement action against a third party.

In general terms, patents can last for up to 20 years, calculated from the application date in each country. Some countries provide for an extension of the patent term in certain circumstances. For example, in the European Union a supplementary certificate ("SPC") can be obtained for certain medicinal and plant protection products. An SPC extends patent protection for up to a further five years.

OVERVIEW OF THE CLINICAL TRIAL PROCEDURE

Introduction

The production and marketing of the Group's pharmaceutical product candidates and its pharmaceutical research and development activities are subject to regulation for quality, safety and efficacy by governmental authorities including those in the United States and Europe as well as other countries and jurisdictions. The process of completing clinical testing and government regulatory approval for a new drug can take up to 11 years (four years of pre-clinical trials and seven years for phases I to III clinical trials) and therefore requires the expenditure of substantial resources.

No new drug is permitted to be sold in developed countries without extensive data on its quality, safety and efficacy being obtained, organised and submitted to governmental regulatory authorities. The development stage of this process may be divided into two parts: preclinical and clinical development. The guidelines governing preclinical and clinical development are generally the same in developed countries. The principal regulatory agencies which set such guidelines and regulate preclinical and clinical development are the FDA, the EMEA and the MCA.

The first "preclinical" step is the development of processes for manufacturing the product candidate. With respect to this step, it is necessary for a manufacturer of the product candidate to hold a manufacturer's licence, which requires that the manufacturer has appropriate facilities, equipment, staff and expertise. Normally, before a licence is granted, an inspection of the manufacturing premises is made. The premises are subject to re-inspection at appropriate intervals. In the countries in which the Group operates, compliance with the principles of "good manufacturing practice", or "GMP", is a pre-requisite for a manufacturer's licence. These policies are administered by the relevant authorities described above.

The next "preclinical" step is conducting preclinical studies. Preclinical studies involve laboratory evaluation of product characteristics and animal studies to assess the initial efficacy and safety of the product. The majority of preclinical studies must be conducted in accordance with "good laboratory practices", or "GLP". These policies are administered by the relevant authorities described above.

Clinical trials run until, and in some cases after, the product is marketed and involve three sequential, but sometimes overlapping, phases. In Phase I trials, a small number of healthy human volunteers are exposed to a product candidate. Typically, the volunteers are administered single and multiple doses, following which the effects of the drug candidate are closely monitored for safety and tolerance in humans. Phase I also involves studying the method by which the doses are eliminated from the body, which is called pharmacokinetics. In Phase II trials, in addition to safety and pharmacokinetic information, the efficacy of the product is evaluated in limited patients with the target disease. Phase III trials typically involve additional testing for safety and clinical efficacy in expanded, large-scale, multi-centre studies of patients with the target disease. Clinical trials must be conducted in accordance with "good clinical practice", or "GCP". These policies are administered by the relevant authorities described above.

Regulatory control of clinical trials

Clinical trials involve the administration of the investigational product to humans under the supervision of a qualified principal investigator in the three phases as described above. In clinical trials, a clinical plan or "protocol" must be approved by the appropriate reviewing agency. In addition, each clinical trial must be approved and conducted under the auspices of an institutional review board, or ethics committee, and with the patient's informed consent. This entity will consider, among other things, ethical factors, the safety of human subjects and the possibility of liability of the institution conducting the trial.

In order to conduct clinical studies in the United States, an "investigational new drug application", or "IND", must be opened with the FDA. This requires the submission of the results of preclinical studies, including manufacturing information and analytical data, to the FDA. Once the IND is approved, human clinical trials may be conducted. The results of the clinical trials are submitted to the FDA as part of a "new drug application", or "NDA", for marketing approval.

In order to conduct clinical trials in the United Kingdom, a "clinical trial exemption" or "clinical trial certificate" must be applied for from the MCA. The applications require the submission of necessary preclinical information. No clinical trial certificate or compliance with a clinical trial exemption is required for clinical trials which are carried out wholly outside the United Kingdom.

Marketing approval in the United States

In the United States, vaccines, drugs and certain diagnostic products are subject to rigorous review by the FDA pursuant to the Federal Food, Drug and Cosmetic Act, The Public Health Service Act, the FDA Modernisation Act and other federal statutes and regulations. These rules and regulations govern or influence the testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Failure to comply with applicable requirements can result in fines, recall or seizure of products, total or partial suspension of production, refusal of the government to approve product licences and marketing applications or to allow the Group to enter into supply contracts and criminal prosecution. The FDA also has the authority to revoke licences previously granted.

In order to obtain FDA approval of a new product, the Group must submit proof of safety, purity, potency and efficacy. For a conventional chemical drug, this submission of data for marketing approval to sell the drug is known as an NDA. In most cases, proof entails extensive preclinical and clinical tests. The testing, during the preclinical and clinical stages, preparation of necessary applications and processing of those applications by the FDA are expensive and time consuming and may take several years to complete. The FDA requires surveillance to monitor the effects of approved products and may require post-marketing testing or place conditions on any approvals that could restrict the commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing.

The FDA may grant “fast track” designation to new drugs that are intended to treat serious or life threatening conditions and that demonstrate the potential to address unmet medical needs. This designation facilitates the development, and can expedite the regulatory review, of new therapies. In addition, for new drugs that treat conditions with less than 200,000 patients in the United States, the FDA may grant “orphan” drug status to the drug in development. The developer of a drug with “orphan” drug status will have seven years of market exclusivity in the United States following the approval of the drug by the FDA.

If there are any modifications to the drug, including changes in indication, manufacturing process or labeling or a change in manufacturing facility, an application seeking approval of such changes must be submitted to the FDA. In addition, the FDA regulates post-approval promotional labeling and advertising activities to ensure that such activities are being conducted in conformity with statutory and regulatory requirements. Failure to adhere to such requirements can result in regulatory actions.

Marketing approval in Europe

The European drug registration system is based on co-operation between the EMEA, which was established in London, and competent national authorities of the member states of the European Union.

Since 1995, two new registration procedures have been available throughout the European Union and all new drugs that are filed for marketing authorisation must be filed in accordance with one of these two alternatives unless the drug is solely intended for marketing in a single European Union member state.

The first of these is a centralised procedure which is compulsory for medicinal products derived from biotechnology and available at the request of companies for other innovative new products. Applications are submitted directly to the EMEA in London. At the conclusion of the EMEA’s internal scientific evaluation, the opinion of the EMEA’s scientific committee is transmitted to the European Commission, the approval of which will form the basis of a single market authorisation applying to the whole European Union.

The second procedure is “mutual recognition” which is mandatory for most conventional medicinal products. It is based upon the principle of mutual recognition of national authorisations and it provides for the extension of a marketing authorisation granted by one European Union member state to one or more other member states identified by the applicant. Should the original national authorisation not be recognised in another member state, the points in dispute are submitted to EMEA’s scientific committee for arbitration.

In both cases, the final decision is adopted by the European Commission, with the assistance of the EMEA or, in the event of serious disagreement between the member states, by the European Council. In addition, certain European countries outside the European Union follow the decisions of the European Commission.

The data from the clinical trials, together with the preclinical data, is submitted in a "marketing authorisation application", or "MAA". The preclinical study and clinical study requirements for an MAA in the European Union are very similar to those for a new drug application in the United States as described above. Guidelines for the time to review MAAs are provided for in the legislation governing such applications in Europe. Licensing authorities are under no obligation to approve applications for licences. Furthermore, licences can be modified or revoked at any time if there is due cause.

Similar to the situation in the United States, the European Union regulatory authorities may also require post-marketing testing or place conditions on any approvals that could restrict the commercial applications of such products. Also, surveillance to monitor the safety of approved products is required. If there are any modifications to the drug, including changes in indication, manufacturing process or labeling or a change in manufacturing facility, an application seeking approval of such changes must be submitted to the appropriate authorities.

INTRODUCTION

The Group is engaged in the research and development, commercialisation, marketing and sale of biotechnology products. Building on its strengths in product development and commercialisation, the Group aims to become a world-class global biotechnology company, providing solutions to pressing and universal problems concerning the environment and human health.

The Group has identified five target markets of significant commercial potential and developed a range of product applications designed to meet the needs of these markets. The Directors believe that many of the current solutions available in such markets are not satisfactory in terms of performance and/or their potentially damaging side effects. The five markets on which the Group's products and product development are focused are eco-agriculture, bioremediation, pharmaceuticals, nutraceuticals and dermatologicals.

Sales of NutriSmart™, a range of environmentally friendly fertilisers, have commenced in Australia, Myanmar and Thailand and pre-sale trials have commenced in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam. Pre-sale trials are being arranged for WonderTreat™, a range of bioremediation products, in Australia, Canada, Hong Kong, Taiwan and the United States. Pre-sale trials are also being arranged for AgiPro™, a range of animal feed additives, in Taiwan. Other products in the commercialisation phase include nutraceutical, pharmaceutical and dermatological applications. For the financial year ended 31 December 2001, the Group generated combined revenues of HK$148,200 (which related to the Group's first sale of NutriSmart™ in December 2001) and for the three-month period ended 31 March 2002, the Group generated combined revenues of HK$134,160. For the two and a quarter years ended 31 March 2002, the Group incurred an accumulated loss of HK$217.6 million.

The Group's research and development and commercialisation activities are led by two subsidiaries, CK Biotech Laboratory Ltd., responsible for the invention of new product applications, and CK Life Sciences Int'l., Inc., responsible for the commercialisation of such new product applications. The Directors believe that the Group can apply the processes and methods it uses for microbe selection, functional activation and environmental acclimatisation to the development of a broad range of biotechnology products. Since January 2000, the Group has independently developed 108 product applications, 27 of which were the subject of granted patents and patent applications as at the Latest Practicable Date. The Group has started the commercialisation of all 108 product applications, which are currently at different stages of the commercialisation process. As at the Latest Practicable Date, the Group's patent portfolio consisted of three granted patents, four patent applications for which Notices of Allowance had been received and 20 other pending patent applications, all in the United States.

The expertise within the Group's research and development and commercialisation teams includes, among others, molecular biology, biochemistry, structural biology, functional proteomics, chemistry and pharmacology. To complement its internal capabilities, the Group collaborates with international companies, hospitals, government institutes, environmental organisations and academic institutions. Collaborations with such independent third parties have included field trials of the Group's fertiliser products under various conditions with various crops, field trials of the Group's animal feed additive products with various types of animals, field trials of the Group's bioremediation formulations on water pollution and preliminary human trials of the Group's potential pharmaceutical product applications. The Directors believe that the integration of the Group's research and development and commercialisation teams, along with its external collaborations, enhances its ability to develop new applications and bring such applications efficiently to market.

The following table summarises details of the Group's product applications and products which have been developed or are under development as at the Latest Practicable Date:

Product category/ products	Product brand	Status
Eco-agriculture - Fertilisers	NutriSmart™	Six patent applications have been submitted to the US Patent Office (and associated PCT applications have been submitted), of which Notice of Allowance has been received for two and four patent applications are pending. A further four are being drafted (yet to be submitted to the US Patent Office). Distribution agreements signed in Australia and Thailand and joint venture established in Indonesia. Product registration applications submitted in Indonesia and the Philippines and obtained for the states of California and Washington in the United States. Sales in Australia, Myanmar and Thailand and pre-sale trials in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam.
Eco-agriculture - Animal feed additives	AgiPro™	13 patent applications have been submitted to the US Patent Office, all of which are pending. A further five patent applications are being drafted (yet to be submitted to the US Patent Office). Field trials in the PRC completed, further trials to begin in other parts of Asia in the second half of 2002.
Bioremediation	WonderTreat™	Eight patent applications have been submitted to the US Patent Office (and associated PCT applications have been submitted), of which three have been granted, two have received Notices of Allowance and three are pending. A further seven patent applications are being drafted (yet to be submitted to the US Patent Office). Field trials commenced in Hong Kong and are being arranged in Australia, Canada, Taiwan and the United States.
Pharmaceuticals	Under development	50 patent applications are being drafted (yet to be submitted to the US Patent Office). Preliminary human trials in the PRC to establish efficacy and safety profile of selected potential product applications in progress.
Nutraceuticals - Health supplements	Vitagain™	Ten patent applications are being drafted (yet to be submitted to the US Patent Office). Field trials and research into product performance and benefits expected to begin in the second half of 2002. Negotiation with potential distributors commenced. Marketing preparation in progress, including packaging and positioning development and market surveys.
Dermatologicals - Skin care products	Under development	Five patent applications relating to skin care products are being drafted (yet to be submitted to the US Patent Office). Field trials and product marketing strategy under development.

The following table shows the status of the Group's 108 potential product applications as at the Latest Practicable Date:

	Product development status		US Patent Office patent application status(1)			
	Product applications being sold or undergoing pre-sale trials	Product applications under commercialisation development	Patents granted	Patent applications with Notice of Allowance issued	Patent applications filed, but pending Notice of Allowance	Patent applications not filed, but drafting commenced
Eco-agriculture:						
Fertilisers	1	9	—	2	4	4
Animal Feed Additives	4	14	—	—	13	5
Bioremediation	8	7	3	2	3	7
Pharmaceuticals	—	50	—	—	—	50
Nutraceuticals	—	10	—	—	—	10
Dermatologicals	—	5	—	—	—	5
Total	13	95	3	4	20	81

Note:

(1) In addition to patent applications filed with the US Patent Office, the Group has made or intends to make associated patent applications through the PCT for other PCT countries and national applications in non-PCT countries.

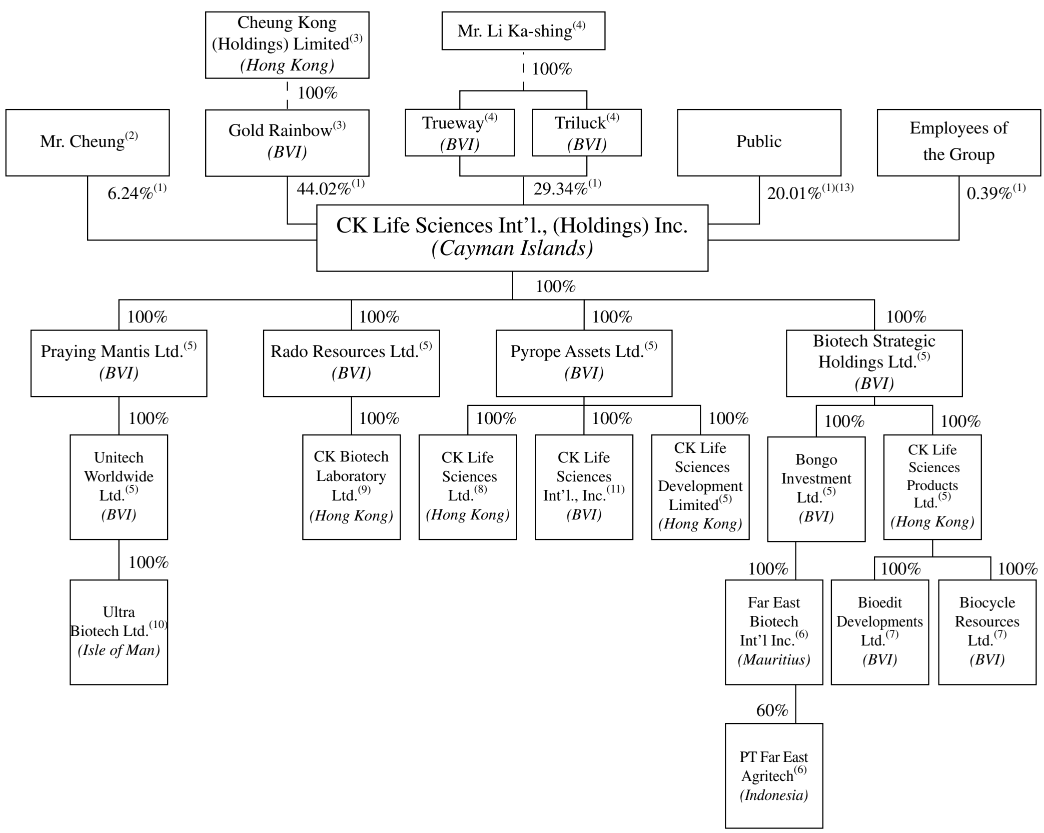
REORGANISATION

The Company was incorporated in the Cayman Islands on 10 August 2001. Following the incorporation of the Company, a number of reorganisation steps were taken to transfer companies within the Cheung Kong Group to the Company in preparation for the listing of the Shares and to effect a rationalisation of the group structure. The objective of the Reorganisation was to establish the Company as the holding company for the Cheung Kong Group's biotechnology interests. All the Cheung Kong Group's biotechnology interests were transferred to the Group, except CK Laboratory, Beijing WonderGrow and Bio-World. See "Relationship with Major Shareholders — Potential Competition with the Cheung Kong Group and the Hutchison Group". Pursuant to the Reorganisation, amongst other things:

- in March 2002, the Company acquired from the Cheung Kong Group, for a nominal consideration, shares in Biotech Strategic Holdings Limited, Pyrope Assets Limited and Praying Mantis Limited, which are some of the intermediate holding companies of the Group's current operations; and
- in May 2002, Bio-World and CK Laboratory, members of the Cheung Kong Group, transferred all their assets and business undertakings as well as the employment of Mr. Cheung, Chief Scientist, to CK Biotech Laboratory and CK Biotech Laboratory assumed the obligations of each of CK Laboratory and Bio-World under the loans then owed by each of them in the principal amounts of HK$108,317,039 and HK$1,975,661 respectively.

Further details of the Reorganisation are set out in "Reorganisation" in Appendix IV.

The following chart sets out the simplified corporate structure of the Group, including its major shareholders and major subsidiaries, immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is not exercised:



Notes:

(1) If the Over-allotment Option is exercised in full, the direct or indirect percentage shareholding of Cheung Kong, Mr. Li Ka-shing, Mr. Cheung, the public and the employees of the Group will be approximately 42.95%, 28.63%, 6.09%, 21.95% and 0.38% respectively, of the issued share capital of the Company.

(2) Mr Cheung is the Chief Scientist of the Group and an initial management shareholder (as defined in the GEM Listing Rules). Both the Company and Mr. Cheung believe that the Group's interests will be better served if he focuses on research and development activities rather than day-to-day management of the Company. Therefore, he has not been appointed a director of the Company. Immediately prior to the Capitalisation Issue and the Share Offer, Mr. Cheung is interested in a total number of 5,490 Shares, representing approximately 7.84% of the then entire issued share capital of the Company. Immediately after the Capitalisation Issue and the Share Offer (without taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option), Mr. Cheung will be interested in a total of 399,985,714 Shares, representing approximately 6.24% of the then entire issued share capital of the Company.

(3) Both Cheung Kong and Gold Rainbow are initial management shareholders (as defined in the GEM Listing Rules). Cheung Kong is interested in the Shares through Gold Rainbow, its indirect wholly-owned subsidiary. Immediately prior to the Capitalisation Issue and the Share Offer, Gold Rainbow is interested in a total number of 38,706 Shares, representing approximately 55.29% of the then entire issued share capital of the Company. Immediately after the Capitalisation Issue and the Share Offer (without taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option), Gold Rainbow will be interested in a total number of 2,820,008,571 Shares, representing approximately 44.02% of the then entire issued share capital of the Company. Cheung Kong will be deemed to have an interest in the same number of Shares held by Gold Rainbow under the SDI Ordinance.

(4) Mr. Li Ka-shing, Trueway and Triluck are initial management shareholders (as defined in the GEM Listing Rules). Mr. Li Ka-shing is interested in the Shares through Trueway and Triluck, both being companies indirectly wholly-owned by him. Immediately prior to the Capitalisation Issue and the Share Offer, Mr. Li Ka-shing is interested in a total number of 25,804 Shares, representing approximately 36.86% of the then entire issued share capital of the Company. Immediately after the Capitalisation Issue and the Share Offer, Mr. Li Ka-shing will be interested in a total number of 1,880,005,715 Shares, representing approximately 29.34% of the then entire issued share capital of the Company (without taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option). These figures do not take into account the Shares held or to be held by the Cheung Kong Group, in which Mr. Li Ka-shing will be deemed to be interested under the SDI Ordinance.

(5) The principal activities of each of Biotech Strategic Holdings Limited, Bongo Investment Limited, CK Life Sciences Products Limited, Pyrope Assets Limited, CK Life Sciences Development Limited, Rado Resources Limited, Praying Mantis Limited and Unitech Worldwide Limited are investment holding.

(6) Far East Biotech Int'l Inc. holds a 60% interest in PT Far East Agritech (the "JV Co"), a company incorporated under the laws of the Republic of Indonesia. The remaining 40% is held by the joint venture partner, PT Anggraini Mulia (a member of the Lippo Group), which is an independent third party (save for the 40% interest it holds in the JV Co). The principal businesses of the JV Co will be the marketing, distribution and sales of fertilisers in Indonesia.

(7) The principal activities of each of Biocycle Resources Limited and Bioedit Developments Limited are trading of biotechnology products.

(8) The principal activities of CK Life Sciences Limited are the applied research, production, product development and commercialisation of biotechnology products.

(9) The principal activities of CK Biotech Laboratory are research and development.

(10) The principal activities of Ultra Biotech Limited are to hold the patents and trademarks of the Group and to license them to other companies in the Group.

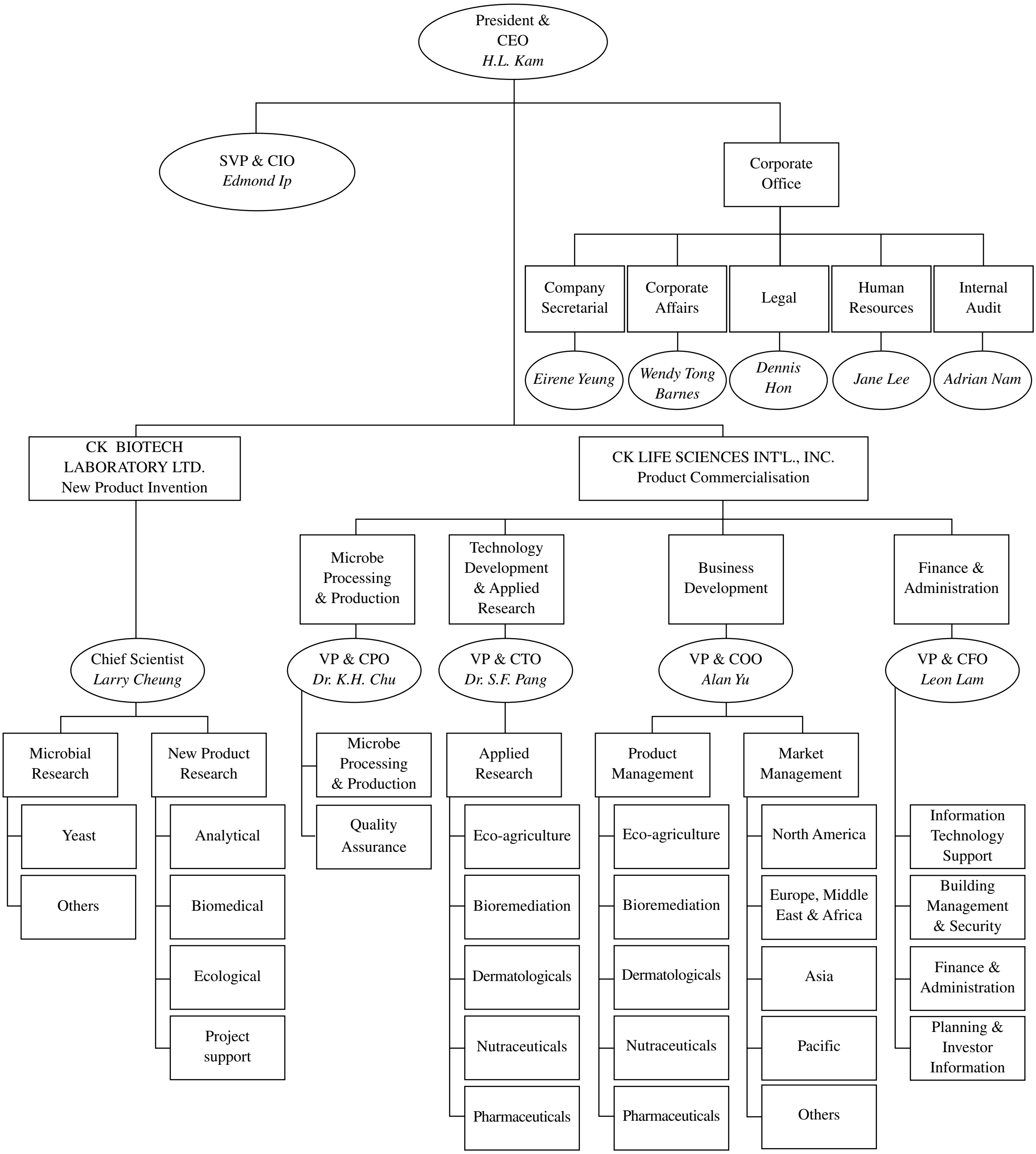
(11) The principal activity of CK Life Sciences Int'l., Inc. is commercialisation of biotechnology products.

(12) Dotted lines in the table above denote indirect shareholding.

(13) Pursuant to Rule 11.23(1) of the GEM Listing Rules at the time of listing and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 20% of the issued share capital of the Company in the hands of the public. The public float of the Company on the Listing Date immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) is expected to be approximately 20.01%.

BUSINESS OPERATIONS

The following chart sets out the major business operations of the Group:



HISTORY

The Cheung Kong Group established the biotechnology operations that are now undertaken by the Group in December 1999. Mr. H.L. Kam, Deputy Managing Director of Cheung Kong, was charged with planning, directing and organising the operating units that were subsequently formed into the Group. Mr. Kam has since been appointed President and Chief Executive Officer of the Group. The operations of the units that were formed were split into two key functions, new product invention and product commercialisation.

The Cheung Kong Group established its new product invention division and recruited Mr. Cheung in December 1999 to lead this division as Chief Scientist. Afterwards, the Group recruited a number of other scientists with diverse expertise to work on the development of the Group's new applications. Mr. Cheung is a scientist with over 20 years' research experience in the PRC. Prior to joining the Cheung Kong Group, he operated a biotechnology research and development institute (Beijing TLB Institute) and five associated companies in the PRC. These companies were engaged in the research and development and production of biotechnology products, including a microbial fertiliser and a health drink. All such companies have ceased commercial operations. See "Risk Factors — General Risks Related to the Business of the Group — The Group may be exposed to risks associated with its key employees, including third party claims" and "Risk Factors — Risks Related to Intellectual Property and Regulatory Issues — The Group may be exposed to risks of third party claims arising from the previous business activities of the Group's Chief Scientist and may become involved in litigation relating to such claims".

In return for a payment of approximately HK$108 million by the Cheung Kong Group (of which HK$100 million was an inducement payment, HK$3.1 million was for raw materials and HK$5.2 million was for laboratory instruments) which was agreed on an arm's length basis, Mr. Cheung ceased the operations of the Beijing TLB Institute and its associated companies, surrendered certain assets to the Cheung Kong Group and entered into employment contracts with companies in the Cheung Kong Group. The payments to Mr. Cheung were made in several instalments during the period from November 1999 to October 2001, with the first payment made in November 1999. Mr. Cheung signed employment contracts with Bio-World in December 1999 and CK Laboratory in January 2000. CK Laboratory subsequently transferred Mr. Cheung's employment to the Group on 10 May 2002.

As part of the reorganisation of the Group prior to the Share Offer, CK Laboratory and Bio-World transferred their entire assets and business undertakings as well as Mr. Cheung's employment to CK Biotech Laboratory on 10 May 2002 and the Group employed Mr. Cheung as Chief Scientist. Pursuant to Mr. Cheung's employment contract, CK Biotech Laboratory agreed on an arm's length basis to a profit sharing arrangement with Mr. Cheung (under which Mr. Cheung was to be given 30% of the after tax net profits derived from the commercialisation of his work by CK Biotech Laboratory). However, this obligation was replaced by an obligation to allocate to Mr. Cheung the benefit of part of the loans owed by the Company in the principal amount of HK$41,010,709.43. On 17 June 2002, the loans allocated to Mr. Cheung were capitalised and 5,490 Shares were issued to Mr. Cheung. See "— Reorganisation".

In line with the Group's market oriented approach to research and development, the Group's new product invention team was charged with developing applications with commercial potential within the Group's five target markets. With access to the resources, equipment and facilities of the Cheung Kong Group and the Group, this team has developed 108 new product applications (27 of which are the subject of granted patents and patent applications as at the Latest Practicable Date).

The Group's commercialisation arm consists of four divisions: the Microbe Processing and Production Division, responsible for the processing and production of the microbes underlying the product applications; the Technology Development and Applied Research Division, responsible for testing and adapting the product applications to ensure products perform efficiently and meet market needs; the Business Development Division, responsible for commercial activities, including sales and marketing; and the Finance and Administration Division.

Soon after Mr. Cheung joined the Cheung Kong Group, a team of executives was appointed to lead the other operating divisions of the Group. Dr. S.F. Pang, an academic in physiology and biology, with extensive experience of research and lecturing in Canada and Hong Kong, joined the Group as Vice President and Chief Technology Officer, heading the Technology Development and Applied Research Division. Dr. K.H. Chu, a Ph.D. in engineering science with over 20 years' working experience, became Vice President and Chief Production Officer, taking charge of the Microbe Processing and Production Division. Mr. Alan Yu, a market development executive and general manager with over 20 years' experience in international markets, joined as Vice President and Chief Operating Officer, and head of the Business Development Division. Mr. Leon Lam, a financial executive with over 20 years' experience in multinational corporations, joined as Vice President and Chief Financial Officer, leading the Finance and Administration Division.

SCIENTIFIC BACKGROUND

Biotechnology is the field of scientific research relating to the adaptation of living organisms or biological processes to industrial and commercial applications. Biotechnology comprises many biological technologies, including fermentation, enzyme engineering, protein engineering and genetic engineering. Biotechnology has a wide range of medicinal and industrial applications, including resolving problems relating to disease, food production and environmental remediation.

Genomics, a branch of biotechnology, is the study of the genetic content of an organism. Each organism inherits its genetic information, or DNA, from the previous generation. DNA is found in cells of all living organisms and is written as a linear code that is divided into discrete units called genes. A collection of genes forms a chromosome, which together with other chromosomes, constitutes the genetic blueprint of an organism, or its genome. Each gene carries instructions or codes for the production, or expression, of proteins.

Proteins have various roles in a cell. Proteins act as structural building blocks, sensors that identify environmental changes and the presence of foreign materials, and enzymes that catalyse reactions. Enzymes are catalysts for virtually all the chemical reactions that are key to life. Activating or suppressing the expression of proteins, can dramatically change their function.

Scientists can sequence an organism's DNA, which allows the identification of proteins encoded in the genes. By compiling these genes and their sequences into large data libraries, genes can be screened automatically using high throughput screening technologies and functional information can be ascribed to the proteins expressed by such genes.

There are significant similarities between the DNA of different species. The active genes of one species may be dormant genes in another species. Changes in DNA, or mutations, occur naturally in organisms. Beneficial mutations may improve an organism's ability to survive. Over time, these mutations and their related traits are passed on to subsequent generations in the process of evolution. Scientists attempt to accelerate evolution in a process known as directed evolution.

Scientists can use directed evolution to change genes and their encoded proteins to design commercially useful biologically-derived materials, or biomaterials. Changes made by introducing foreign genetic material into a host organism are commonly known as gene modification or genetic engineering. In contrast to these methods, those used by the Group do not involve insertion of foreign genetic materials, and are believed to regulate gene expression. This approach is based on activation and acclimatisation processes and methods. See "The Group's Approach to Biotechnology Research — Description of the Group's research processes and methods".

THE GROUP'S APPROACH TO BIOTECHNOLOGY RESEARCH

Background to the Group's approach to research

Despite the successful mapping of the human genome sequence, many experts believe that it will be some years before useful products can be developed from such research. The reason being that scientists need to gain a much better understanding of the proteins genes produce and their interaction with one another. A key to this understanding is proteomics, or the study of proteins encoded by the genome. The Directors believe that the key to influencing gene expression, causing cells to perform specific tasks, is to discover and enhance the inherent capabilities that exist within them.

The basis of the Group's research is the belief that there are many unknown and often dormant genes in microorganisms which can be mobilised to perform specific functions, resolving serious environmental and health problems. The process by which the Group conducts research into product applications can be summarised as follows:

— Problem identification: determining the nature of the problem that needs to be solved;

— Function specification: determining the specific function a microorganism needs to perform in order to solve the problem; and

— Activation and acclimatisation: using a combination of culture conditions and biophysical as well as biochemical methods to activate and acclimatise target cells to enable them to exhibit and retain the ability to perform the specific function needed under different circumstances.

CK Biotech Laboratory focuses its attention on applying processes and methods to select microbes (primarily yeast strains), activate them and acclimatise them to perform specific functions, without the introduction of foreign genetic material into the cells. See "Risk Factors — Risks Related to Intellectual Property and Regulatory Issues — The business of the Group depends on its present and future intellectual property rights" and "Risk Factors — Risks Related to Intellectual Property and Regulatory Issues — The business of the Group depends on trade secrets and proprietary know-how".

Genetic modification, which involves the introduction of foreign genetic materials into an organism, is not used in the Group's processes and products. Instead, it is hypothesised that pursuant to the Group's processes, dormant genes that already exist within the organism are activated. As a result, the Group's fertiliser, NutriSmart™, has received approval from an organisation that oversees standards in the organic food market in the United States as an appropriate product for organic produce. See "Products and Products Under Development — Eco-agriculture — Fertilisers — Testing and validations".

Description of the Group's research processes and methods

The Group's research into product applications starts with the identification of a problem that needs to be solved, and an anticipated cellular function that will solve the problem. A search is then conducted for a microbe that can perform the particular physiological function. Following selection, the genetic system of the cell is regulated and the protein needed for an identified biological process is expressed or stimulated.

The Group's research focuses on the activation of organisms, including yeasts such as baker's yeast (*Saccharomyces cerevisiae*) and brewer's yeast (*Saccharomyces carlsbergensis*), two naturally occurring and non-toxic strains of yeast. The genome of yeast encompasses more than 6,000 protein coding genes, some of known and others of unknown function. The Group aims to explore and utilise such known and/or unknown functions yeasts are genetically capable of performing in its products.

Selection

The selection process involves the selection of an appropriate organism, such as yeast, and then identification of the strains of such organism capable of performing a biological process which has an application that the Group wishes to develop. Such biological processes include:

- nitrogen fixation, phosphorous decomposition, potassium decomposition and carbon usage, which are the functions required for a fertiliser;
- degradation of carbohydrates, nitrogen assimilation, phosphorous assimilation and degradation of toxins, which are the functions needed for bioremediation; and
- the production of factors affecting the immune system, which are needed for the production of immunostimulating molecules.

Activation and acclimatisation

The microbes that have been selected are then "activated" using biophysical and biochemical methods, so the cells can produce the required protein and hence perform the required biological process. The microbes containing these 'activated' functions are then acclimatised to the biological, biophysical and biochemical environment (soil, water or waste waters for example) in which they will be applied. This process ensures that the microbes will perform effectively and efficiently in the environment in which they will be applied.

COMMERCIALISATION STRATEGY

The Directors believe that the Group can apply the processes and methods it uses for microbe selection, functional activation and environmental acclimatisation to the development of a broad range of biotechnology products. Currently, the Group's focus is on the eco-agriculture, bioremediation, pharmaceutical, nutraceutical and dermatological markets. The Group has so far developed 108 potential product applications derived from these processes and methods. These product applications fall within the Group's five business segments.

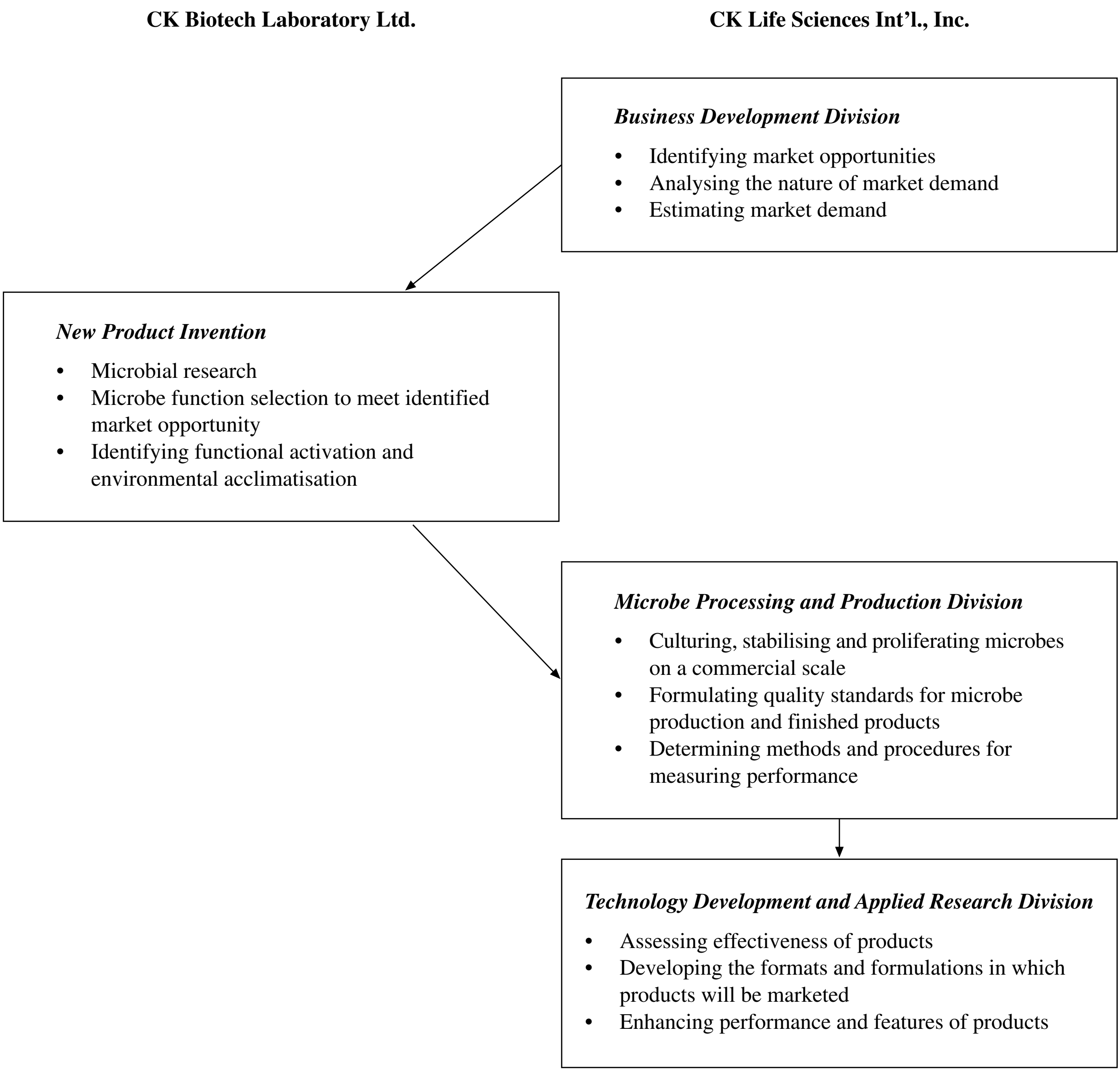
The Directors believe that the processes and methods it uses can be applied to an even wider selection of potential applications than the Group's five target markets, as they enable the Group to exploit a wide variety of cells and cell functions. However, as the Group has not yet developed product applications in other markets, it has no current intention to enter these other markets.

The Group is using its processes and methods to build a broad portfolio of products in order to increase its chances of commercial success. The Group intends to develop these products itself and, in certain cases, in collaboration with its existing and prospective partners. The objective of the Group is to maximise the value of its business by retaining ownership of the intellectual property rights of product applications and by developing its products through to regulatory approval, if required, and commercial production either by itself or with its partners. See "Risk Factors" and "Industry Overview".

The Group adopts a market oriented approach to the research and development of new products to ensure that all inventions target specific market needs, maximising their economic value. The Group's Business Development Division is responsible for identifying, quantifying and characterising potential unmet demand in the market. This information is then passed on to CK Biotech Laboratory Ltd., the Group's new product invention team. This team of scientists researches which types of microbes can best perform the specified function and what processes and methods can be used to activate this function and acclimatise the microbes to the environment in which they will be expected to perform the designated function. The Microbe Processing and Production Division then develops the most efficient ways to culture, stabilise and proliferate the microbes to make them available for use in the production of finished products.

Upon completion of the microbe production process, the Technology Development and Applied Research Division starts work on a series of laboratory and field tests to assess the effectiveness and applicability of the applications, as well as the conditions under which the microbes reach optimal performance. At this stage, the Technology Development and Applied Research Division also explores options for the format in which the potential products will be marketed. Adjustments to the products are made to increase their convenience of usage and their ability to maintain optimal performance under a wider range of or more demanding environmental conditions. During this phase, a patent application is usually filed, laboratory and field tests are conducted, commercial trials commence and sales and marketing plans are developed.

The following chart illustrates the Group's market-oriented approach to research and development:



RESEARCH AND DEVELOPMENT

The Group's research and product development focus

During the Group's first two years of operations, the Group's focus has been on new product invention. Hence a significant portion of the operating expenses of the Group to date has related to research and development of new product applications and commercialisation of such applications. During 2000, 2001 and the first three months of 2002, the total research and development expenses of the Group were approximately HK$11.7 million, HK$42 million and HK$11 million, respectively.

The Group considers research and development an essential component of its business strategy. As a result, the Group expects to expand its research and development team significantly during 2002. See "Risk Factors — The Group may have difficulty attracting and retaining skilled personnel", "Use of Proceeds" and "Statement of Business Objectives and Strategies — Implementation Schedule".

The Group's new product invention and commercialisation and development is overseen by an executive committee comprised of the senior scientists and certain Directors of the Group. This committee usually meets weekly to review the results of the Group's new product invention and commercialisation development teams in order to prioritise research and development programmes, to direct the efforts of such teams towards the most promising applications and to terminate research and development programmes if product commercialisation is not foreseeable or potentially profitable.

The following table sets out the current research focus for each of the Group's product categories:

Product category	Research focus
Eco-agriculture-Fertiliser	— Enhancing performance in different environmental conditions.
	— Utilising alternative raw materials for production.
	— Developing additional formulations catering to the needs of different crops.
	— Adapting the products to different local application practices.
Eco-agriculture-Animal feed additives	— Verifying the safety of the products.
	— Evaluating the degree to which the products can replace antibiotics and growth hormones.
	— Verifying the ability of the products to prevent contamination in and improve productivity of aquaculture.
Bioremediation	— Verifying the parameters by which WonderTreat™ formulations improve efficiency, cost and effectiveness by comparison with current biological methods.
	— Exploring different methods of applying WonderTreat™ formulations to different types of large surface ground water.
	— Documenting the engineering performance of WonderTreat™ formulations to accelerate adoption by environmental engineering consultants and proprietary system builders.
	— Exploring different ways of re-designing wastewater treatment plants to optimise the performance and benefits of WonderTreat™ formulations.
Pharmaceuticals	— Conducting tests to collect efficacy and safety data in preparation for formal clinical trials and registration of the applications.
	— Generating informal data on the use of the Group's applications on selected patients.
Nutraceuticals	— Conducting trials to confirm the efficacy, safety and benefits of the applications.
Dermatological	— Conducting trials to confirm the efficacy, safety and benefits of the applications.

Core research and development

The Group's product invention team consists of 30 staff, 21 of whom are scientists and technicians, and 4 of whom have Ph.D. degrees. This upstream research and development team is led by Mr. Cheung, Chief Scientist, who has over 20 years of scientific research experience in the PRC. See "Directors, Senior Management and Staff — Senior Management". The Group's international team of scientists is also skilled in a wide range of scientific fields. This team focuses on developing the Group's research processes and methods and also on applying such processes and methods to develop new product applications. In addition, this team assists the Technology Development and Applied Research team in some of its activities.

Commercialisation of the Group's product applications

The success of the business of the Group depends on its ability to commercialise successfully its applications undergoing research and development and to develop new products that meet its customers' needs in order to maximise the economic value of product applications. The Directors believe that the Group has the necessary expertise to bring products through the research and development stage and regulatory process into commercial production and sales and marketing.

The product commercialisation arm of the Group, CK Life Sciences Int'l., Inc., comprises four divisions: Microbe Processing and Production, Technology Development and Applied Reseach, Business Development, and Finance and Administration.

The Group's Technology Development and Applied Research team consists of 27 staff, 25 of whom are scientists, and 13 of whom have Ph.D. degrees. They work to transform the applications developed by CK Biotech Laboratory Ltd. into commercially-viable products. This team assesses the scientific data produced during the research and development stage, tests the products and develops manufacturing technologies for the products. This team is led by Dr. S.F. Pang, who has over 30 years' experience in the fields of research in physiology, biology and biotechnology. See "Directors, Senior Management and Staff — Directors".

As part of the commercialisation process, development work is undertaken to transform the product inventions into commercially viable products including:

— assessing how patent applications should be made;

— identifying the method of production which will be the most cost effective to maximise profit potential;

— determining the priority in which product applications should be commercialised in the light of the prevailing market conditions, customer sentiment and market trends;

— finalising the form in which a product should be marketed, for example, powder, liquid or capsule form;

— exploring the performance of the product applications under various environmental conditions, such as temperature and humidity;

— deciding the aesthetic properties of the product applications, such as colour and appearance; and

— determining the best and most convenient way to apply the product for optimal performance.

The timeline from discovery to market for products in the Group's industry can vary significantly based upon a number of factors, including the complexity of the product and the regulatory approvals required. Generally, the longer the development time of a product, the higher the degree of risk associated with its commercialisation. The Group aims to reduce the financial aspects of this risk, in some instances, by entering into strategic alliances that provide it with assistance in the research and development and commercialisation phases. In addition, to the extent that opportunities arise, the Group will consider investing in complementary businesses which provide strategic benefits to the Group. However, currently no such investments are being negotiated.

The Group has established a range of partnerships to test, certify, validate and/or assist in the development of the Group's products, including with independent third parties such as universities, hospitals, government institutions and environmental organisations. See "— Products and Products under

Development". Such collaborations assist the Group in leveraging its research and development resources and help to bring the Group's products through the phases of commercialisation more quickly. In addition, such partnerships provide independent validation of the Group's products, assisting the Group to establish credibility for such products in the market.

PRODUCTION STRATEGY

As a biotechnology company, the Group's primary focus is on discovering new applications and undertaking research to improve the performance of its products and their competitiveness in the marketplace. The Group intends to maximise the value of its intellectual property by retaining ownership of its intellectual property rights. Therefore, the Group intends to manage directly the facilities and tightly control the procedure for the primary production of the essential processed ingredients of its products, the activated microbes. However, the Group intends to employ a flexible strategy regarding the production, distribution and marketing of its finished products by using third parties where feasible.

The Microbe Processing and Production Division, led by Vice President and Chief Production Officer, Dr. K.H. Chu, researches efficient ways to culture, stabilise and multiply the microbes to make them available for use in the production of finished products. This division also undertakes the commercial production of the activated microbes. The Group applies a system to control and assure the quality of the activated microbes throughout its processing, as well as the quality of its products. This system consists of a set of fully documented methodologies and procedures for product quality control and assurance, including inspections taken at critical points in the production process.

It is the Group's strategy to leverage its capabilities regarding the secondary stage of its manufacturing process by licensing manufacture to third parties or by entering into joint ventures. The use of such licences or joint ventures will vary by product and/or by country. The Group, for example, expects to license third parties to manufacture its NutriSmart™ finished product locally as due to its bulk it has a relatively high cost of transportation. The Group currently uses contract manufacturers in the PRC through Beijing WonderGrow for the manufacture of the Group's fertilisers. The Group may develop its own manufacturing capability in addition to using such contract manufacturers.

MARKETING STRATEGY

It is the Group's strategy also to leverage its marketing capabilities by using franchisees and licensees. The Group aims to market its products in partnership with multi-national companies or companies with leading market shares in domestic markets, in each case with expertise in each respective product category and geographic region. This will enable the Group to leverage its resources and to accelerate commercialisation of its products. To the extent this is not feasible, some products may be sold directly by the Group through its own sales force.

The Group's ultimate objective is to market its products through a comprehensive franchise system in which it retains ownership of the intellectual property and key active components of its products, with the majority of the commercial activities being undertaken by business partners or franchisees.

The following table sets out the Group's expected target markets for its product applications currently undergoing commercialisation:

Target market	Target customer groups
Eco-agriculture	Farmers, farm cooperatives and agricultural distributors.
Bioremediation	State, provincial and municipal governments, environmental consultants, environmental system designers and manufacturers.
Pharmaceuticals	Distributors, doctors, hospitals and patients.
Nutraceuticals	Distributors and consumers.
Dermatologicals	Distributors and consumers.

PRODUCTS AND PRODUCTS UNDER DEVELOPMENT

To date, the Group has started or completed commercialisation of 108 product applications. NutriSmart™, an environmentally friendly fertiliser, has commenced sales. Pre-sale trials are being arranged for WonderTreat™, a series of bioremediation formulations, and AgiPro™, a range of animal feed additives. NutriSmart™ is currently sold in Australia, Myanmar and Thailand and pre-sale trials have commenced in the United States, Europe and other Asian countries. Pre-sale trials are currently being arranged for WonderTreat™ in Australia, Canada, Hong Kong and the United States and for AgiPro™ in Taiwan. The Group also has product commercialisation development programmes under way in each of its five target market sectors.

ECO-AGRICULTURE — FERTILISERS

Products and market positioning

The use of conventional chemical fertilisers and pesticides has increased the productivity of land significantly and has helped to feed the world's growing population. However, chemical fertilisers have also brought about pollution with significant consequences for the sustainability of agriculture and the environment. Some of the nutrients in conventional chemical fertilisers leach into rivers, lakes and the oceans rather than being fully absorbed by crops, resulting in pollution. In a recent United Nations study of the quality of freshwater ecosystems in France, Germany, the Netherlands and the United Kingdom, agri-chemicals were found to have contributed over 50% of the nitrogen pollutants and more than 30% of the phosphorus pollutants.

The substances left by chemical treatment of agricultural produce can also be hazardous to health and affect soil quality. Phosphate-based fertilisers contain cadmium, which can be toxic at high levels. Nitrite, a substance derived from nitrate in nitrogenous fertilisers can cause serious blood diseases in children. Nitrite is also a substrate of nitrosamine, a carcinogen. Excessive use of fertilisers and pesticides often leaves behind large quantities of chemical residues that damage beneficial microorganisms in the soil. As a result, crops can become more vulnerable to disease, inhibiting growth and decreasing yield.

In view of the pollution problems caused by conventional chemical fertilisers, the Directors believe that a market opportunity exists for an effective non-chemical fertiliser product which can match the yields produced by chemical fertilisers. Most of the pollution problems with conventional fertilisers arise from the fact that the nutrients are soluble, and therefore available irrespective of the plant's needs. Nutrients not absorbed quickly enough by the plants are washed away or left in the soil and result in pollution.

Research was undertaken by the Group to determine whether certain functions in yeasts could be activated and reinforced to fix nitrogen from the air. Successful application of the microbe selection processes led to the discovery of nitrogen fixing capabilities within yeast. In addition, the Group has discovered functions within yeasts capable of decomposing insoluble rock phosphate into available phosphorus and making unavailable potassium available. These discoveries have led to the development of an ecologically-friendly fertiliser, NutriSmart™ which, the Directors believe, improves the quality of crops and soil structure. NutriSmart™ is an environmentally friendly fertiliser which contains no soluble nitrogen, phosphorous or potassium ("NPK"), but is able to produce such nutrients on contact with the roots of plants. NutriSmart™ is effective on a wide variety of crops. It provides a 'smart' phased interaction with root systems to deliver the appropriate quantity of nutrients at the right time.

The use of chemical NPK fertilisers results in cycles of over-dosage to under-dosage, as the fertiliser is applied and then repeatedly either washed away or absorbed over time. This can expose crops to periods of weakness during periods of under-dosage. Furthermore, the need to repeat dosages of chemical fertilisers (ranging from once per week to once per month) increases costs, especially if labour-intensive methods of application are used. In contrast, NutriSmart™ is applied less frequently, usually once every four to six months. NutriSmart™ only releases nutrients in accordance with the needs of the crop. Therefore, the nutrients do not leach into water systems or become significant chemical residues in the soil. In addition, the fertiliser ensures a longer and more effective application, reducing labour costs and improving the quality of the crop.

As the fertiliser is based on natural living organisms and substances other than chemicals, NutriSmart™ is appropriate for use in organic farming. NutriSmart™ contains a mixture of starch, yeast cells which have been selected, activated and acclimatised, phosphate rock and coal waste. The activated yeasts use the coal base as their energy source to multiply, decompose the phosphate rock, fix nitrogen from the atmosphere and decompose potassium from the soil. The Group has also developed additional formulations of NutriSmart™ using manure, sludge and garbage as its energy source. This fertiliser is placed next to the roots of the plant and once the yeast microbes reach a certain concentration the plant draws in the nutrients stimulating the production of further nutrients by the microbes. This dynamic and balanced process lasts until the substrate or nutrients have been consumed or the crop no longer needs a nutrient supply. In order to promote growth during the period in which the microbes are multiplying, improved results have been achieved by applying a small amount of "starter" fertiliser with the NutriSmart™ which can be chemical or organic.

Whilst the initial cost of fertilising an area of farmland with the recommended quantity of NutriSmart™ may be higher than that using a traditional chemical or organic fertiliser at the current sale price, the Directors believe that the total cost over the life of the crop is not markedly different as fewer additional dosages of NutriSmart™ need to be applied. The Directors also believe that NutriSmart™ has the potential to produce crop yields comparable to that produced by chemical fertilisers, without the negative environmental impact of leaching and soil degradation and produces yields above those of organic fertilisers currently on the market. However, in order for NutriSmart™ to be effective, it is important that farmers adjust their practices to ensure that the fertiliser is properly applied close to the roots of the crop, where there is sufficient moisture in the soil for the microbes to survive and multiply and the soil conditions are suitable (soil pH and minimal chemical residue from other fertilisers). In addition, the fertiliser may also be less effective for use in temperate zones during winter, as the cold inhibits the growth of the microbes.

Stage of development

The Group has developed ten fertiliser product applications and filed a total of six patent applications with the US Patent Office relating to these products. Notices of Allowance have been received in relation to two of these and the remaining patent applications are pending. A further four patent applications are being drafted, but have not yet been filed. The Group is also applying for the registration of its NutriSmart™ trademarks in a number of countries. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV. The Group has conducted field trials of NutriSmart™ on over 50 crops in more than ten countries during 2000 and 2001.

Sales of NutriSmart™ started in December 2001, when it was introduced to the public at meetings held in Australia and Hong Kong. To date, NutriSmart™ has been manufactured by Beijing WonderGrow which has subcontracted the manufacture of NutriSmart™ to independent manufacturers. See "Relationship with Major Shareholders — Connected Transactions". The Group is in the process of entering into direct relationships with some of these subcontractors. See "Relationship with Major Shareholders — Potential Competition with the Cheung Kong Group and the Hutchison Group". In addition, the Directors expect to license manufacture to other independent third parties or enter into joint ventures. See "— Production Strategy". Prior to developing a critical mass of sales and local manufacturing capabilities, the outward shipping costs of fertiliser products are not incorporated into the sales price of the fertiliser and are charged as an operating expense, in order to maintain the competitiveness of NutriSmart™ as regards chemical fertilisers. Due to such transport costs, the Group intends to enter into agreements with local manufacturers in a number of countries as soon as sales volumes make this economically viable. See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations".

NutriSmart™ is currently being sold in Australia, Myanmar and Thailand and is undergoing pre-sale trials in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam. The Group has entered into two distribution agreements with independent third parties, one with Forward Thailand for the exclusive distribution of the product in Thailand, signed in June 2001; the other with Elders (a subsidiary of Futuris Corporation Limited which is a major distributor engaged in the provision of agricultural services to rural and regional Australia), signed in March 2002, which grants Elders distribution rights for NutriSmart™ in Queensland on an exclusive basis and in the other states of Australia on a non-exclusive basis. The Group entered into a joint venture with PT Anggraini Mulia, a member of the Lippo Group, in April 2002, for the purposes of importing, distributing and marketing the Group's fertiliser product in Indonesia. The Group has a 60% interest in the joint venture company, PT Far East Agritech. In addition, the Group expects to consummate distribution agreements with a number of other distributors during 2002. See "Statement of Business Objectives and Strategies — Implementation Schedule".

In its current form, NutriSmart™ is most suitable for cash crops such as fruits and vegetables. This is because with such crops the quality of the produce is important and the risks of pollution are higher due to the more intensive forms of farming currently used. In addition, the cost competitiveness of the product varies depending on current fertiliser usage and application. The Group is therefore developing and testing formulations of the fertiliser for broadacre farming using other organic materials as a base rather than coal. The Group is also researching ways of enhancing the performance of NutriSmart™ in different environmental conditions, adapting NutriSmart™ to different local application practices and producing different formulations for different crops.

Testing and validations

The Group has tested NutriSmart™ on over 50 crops in a range of different climates and soil types. Preliminary tests have demonstrated that NutriSmart™ can be as effective as chemical NPK fertilisers and in some cases better than such fertilisers. Such tests have been conducted in association with a number of partners, including the South Australia Research and Development Institute ("SARDI") and the Guangdong Science Academy, Institute of Eco-Environmental and Pedology (廣東省生態環境與土壤研究所). In addition, more long-term studies are being implemented in order to verify the stability and/or improvement of soil following repeated use of NutriSmart™.

NutriSmart™ was listed by OMRI in August 2001 as a product 'allowed' for use in the production of organic food. In addition, product registration has been obtained for the sale of NutriSmart™ in the states of California and Washington in the United States and the Group is in the process of registering the fertiliser for sale in Indonesia and the Philippines.

ECO-AGRICULTURE — ANIMAL FEED ADDITIVES

Products and market positioning

Public concern regarding the use of antibiotics and growth hormones on livestock and aquatic life has caused an increase in demand for safer farming methods. For example, the use of antibiotics and growth promoters has been severely restricted or even banned in farming within the European Union. The Group is developing the AgiPro™ range of animal feed additives that strengthen an animal's immune system to improve growth and feed efficiency without the use of antibiotics. These products reduce the risk of diseases for livestock and aquatic life, improving the quantity and quality of production in a way that is more environmentally friendly than the use of antibiotics. In addition, to the extent that these products promote healthier livestock and aquaculture, it is possible that lower doses of growth hormones will need to be applied.

Research was undertaken by the Group to determine whether certain functions in yeast could be activated and reinforced to strengthen the responses of animals' specific and non-specific immune systems, and reduce the incidence of infectious diseases without the use of antibiotics. Successful application of the microbe selection processes led to the discovery of capabilities in yeasts which could stimulate the production of immunity cells in animals and would improve their health and growth potential with substantially less reliance on antibiotics, prophylactics and/or growth factors that are routinely added to animal feed. This discovery led to the development of a range of animal feed additive product applications collectively known as AgiPro™.

Stage of development

The Group has developed 18 animal feed additive product applications. 13 patent applications have been filed with the US Patent Office relating to these products, all of which are pending. A further five patent applications are being drafted, but have not yet been filed. The Group is also applying for the registration of its AgiPro™ trademarks in a number of countries. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV. Currently, the Group is developing its marketing strategy for this product, including branding and distribution.

The Group is arranging pre-sale trials of AgiPro™ in Taiwan, which it expects to start in the second half of 2002.

Testing and validations

The Group commenced field trials of its animal feed additive products in April 2001. The tests have been conducted by independent third parties in the PRC on a range of different animals including pigs, chickens, fish and shrimp. Preliminary test results indicate that these products are capable of enhancing the immune systems of many types of livestock and aquatic life thereby replacing or reducing reliance on antibiotics.

BIOREMEDIATION — SOLID WASTE, SURFACE WATER AND WASTEWATER TREATMENTS

Products and market positioning

WonderTreat™ is a series of environmentally-friendly formulations that the Group has developed to treat and manage organic waste and pollution. The Directors believe that these formulations work as efficiently as, in a more environmentally friendly manner and at a lower cost, than chemically-based solutions or other bioremediation solutions. WonderTreat™ is capable of treating different types of environmental pollutants, including:

- removal of bio-available nitrogen and phosphorus;
- removal of odours;
- degradation of environmental toxins;
- degradation of polymeric compounds;
- suppression of algae growth; and
- suppression of pathogen growth.

Research was undertaken by the Group to determine whether certain functions in yeasts could be activated and reinforced to remedy a series of environmental problems, including excessive nutrients (such a bio-available nitrogen and phosphorus), malodour and materials that are difficult to degrade, such as polymeric compounds. Successful application of the microbe selection processes led to the discovery of capabilities in yeasts which could turn bio-available nitrogen and phosphorus into intracellular nitrogen and phosphorus, thereby eliminating them as pollutants in water. At the same time, similar discoveries were made on capabilities of yeasts to degrade polymeric and odour causing compounds. These discoveries, amongst others, led to the development of a range of bioremediation product applications collectively known as WonderTreat™.

As environmental pollution often results from a specific combination of factors and the water itself has specific characteristics, WonderTreat™ will not be sold as a ready-made formula. Instead, it will be sold as a tailor-made solution in association with the environmental consultancy services of the Group. The Group's consultants will test the polluted water first and then formulate the relevant combination of microbial strains which will most effectively remedy the particular organic pollutants.

Municipal wastewater treatment. WonderTreat™ is a biological solution to wastewater treatment that can increase the efficiency of sewage treatment plants. Used in combination with existing treatment facilities, WonderTreat™ effectively removes pollutants, de-odorising, detoxifying and suppressing the growth of pathogens at lower operational costs than traditional methods, as less energy is required to pump air through the wastewater. Tests have also indicated that WonderTreat™ can break down waste faster than other bioremediation solutions. In addition, this product requires minimal equipment modification or infrastructure investment in order to be used at existing wastewater treatment plants.

Treatment of contaminated surface water. Lakes, reservoirs, rivers and seas are subject to contamination caused by agricultural, industrial and urban waste. These environmental hazards can cause eutrophication, a phenomenon in which an oversupply of nutrients leads to uncontrolled growth of algae, which then can deprive fish and other organisms of oxygen. WonderTreat™ provides an effective and natural way to suppress the growth of harmful algae and pathogenic organisms, improving water quality and restoring the natural ecosystem. As water pollution is frequently caused by run-off from chemical fertilisers, WonderTreat™ can be sold together with NutriSmart™ as a combined solution to agricultural pollution.

Treatment of industrial wastewater. WonderTreat™ can also be used to treat industrial wastewater. The physical, chemical and biological solutions currently used by industries are often expensive and may result in secondary pollution. WonderTreat™ can treat many types of industrial wastewater including that from wineries, sugar refineries, food processing plants, mono-sodium glutamate manufacturing plants and paper mills, helping industries meet regulatory standards. The product also treats organic pollutants such as polymeric materials, cellulose and lignin.

Treatment of solid waste. WonderTreat™ can also be produced in a further form designed to de-odorise, detoxify and remove or suppress the growth of pathogens in manure. In addition, the manure after treatment is also a suitable raw material for NutriSmart™ fertiliser production. See "— Eco-agriculture — Fertilisers — Products and market positioning".

Stage of development

The Group has developed 15 bioremediation product applications and filed eight patent applications with the US Patent Office relating to these products. Three patents have been granted, two Notices of Allowance have been received and the remaining applications are pending. A further seven patent applications are being drafted, but have not yet been filed. The Group is also applying for the registration of its WonderTreat™ trademarks in a number of countries. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV.

The Group expects to develop its manufacturing capability along the same model as its eco-agricultural products, initially commencing production in the PRC. Pre-sale trials are currently being arranged in Australia, Canada, Hong Kong, Taiwan and the United States, which are expected to start in the second half of 2002. In addition, the Group intends to discuss its product and services with government environmental agencies.

Testing and validations

Laboratory experiments on some of the bioremediation applications have been conducted. Field trials which have been completed in the PRC, are being undertaken in Hong Kong and are being arranged in Australia with an independent third party. Tests have demonstrated that, following an initial stage when the active components of the product are multiplying, WonderTreat™ is more effective at removing organic environmental pollutants than other biological methods.

PHARMACEUTICALS

Products and market positioning

The Group has commenced research and development into a range of pharmaceutical products, including for the treatment of life-threatening diseases for which current products are either therapeutically unsatisfactory or result in undesirable side effects. The Group currently has 50 potential pharmaceutical applications under development.

One of the main potential pharmaceutical applications which the Group is focusing on is a treatment for AIDS. In 2001, WHO estimated that approximately 40 million people were living with HIV/AIDS worldwide and there were five million new HIV infections during that year. Only a small proportion of people with AIDS receive treatment as the cost is high and current treatments also have severe side effects.

The objective of the treatment being developed by the Group is to strengthen the patient's immune system and therefore increase resistance to infection. The Directors believe that the Group's potential product application could have a number of potential benefits either in combination with the highly active anti-retroviral therapy ("HAART") treatments or alone. HAART is usually not recommended until HIV patients reach a more advanced stage of AIDS, in view of its side effects and the decreasing effectiveness of HAART due to increasing virus resistance. As a result, patients using the Group's drug may be able to start treatment at an earlier stage promoting an increased level of comfort and an improved quality of life. In addition, the current HAART treatment costs up to US$15,000 a year in developed countries. There is potential that the treatment being developed, either in combination with HAART or alone, may reduce treatment costs to a more affordable level and therefore provide access to treatment to a larger proportion of AIDS sufferers.

Another group of potential pharmaceutical products under development includes treatments for different types of cancer. According to WHO, there were over 6.3 million deaths attributed to cancer in 1997. Quality of life issues, including the deterioration of the immune system, are associated with common treatments for cancer such as chemotherapy and radiotherapy. The objective of the treatment being developed by the Group is to slow down the progress of cancer, thereby reducing mortality rates and to decrease the negative side effects experienced by patients receiving other types of active treatment.

Stage of development

The Group has developed 50 potential pharmaceutical product applications. No patent applications have been filed with the US Patent Office, but patent applications for the 50 potential product applications are being drafted and are expected to be filed with the US Patent Office in the second half of 2002. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV.

The Group has not yet begun formal clinical trials of its potential pharmaceutical products under development for the purpose of product registration. However, independent third parties have been conducting preliminary human tests of its potential products since September 2001 in PRC hospitals. The purpose of such trials has been to collect efficacy and safety data in preparation for the formal registration process with pharmaceutical regulatory authorities to commence clinical trials. For a description of the clinical trial procedure that the Group's potential pharmaceutical products must complete, see "Industry Overview — Overview of the Clinical Trial Procedure".

The Directors anticipate that once the potential pharmaceutical products under development demonstrate effectiveness, probably in phase two clinical trials, the Group will be in a position to establish strategic alliances which will make available the extensive sales and marketing infrastructure of major multinational pharmaceutical companies. This will assist the Group in bringing such products to market more quickly and give the Group better access to distribution channels, if such products complete the final stage of clinical trials.

NUTRACEUTICALS

Products and market positioning

The Group is developing a range of ten health supplement product applications containing a combination of specially treated microbes and natural ingredients designed to maintain and promote the health of the body. The first of the Group's Vitagain™ health supplements is designed to promote the responsiveness of human immune cells, protecting and promoting recovery from infections, such as colds and influenza. The Group's other products under development aim to make the body more resilient against health problems, such as hypertension and the relief of stomach complaints. As the Group does not intend to make therapeutic claims about these products, they will not be subject to clinical trials and approvals in most jurisdictions and are expected to be classified as health foods.

Stage of development

No patent applications have been filed with the US Patent Office relating to the Group's health supplement products. However, patent applications for the ten potential product applications are being drafted and are expected to be filed with the US Patent Office in the second half of 2002. The Group is also applying for the registration of its Vitagain™ trademarks in a number of countries. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV. The Group is currently developing its branding, packaging and marketing position. The initial target markets for these products are in Asia, particularly in Japan and PRC. The Group aims to distribute its health products through an established company with similar products and developed distribution channels in the Asia-Pacific region.

DERMATOLOGICALS

The Group is developing a range of skin care products which cleanse, moisturise and remove blemishes. Currently, the Group has approximately five skin care product applications under development. No patent applications have been filed with the US Patent Office. However, patent applications for the five potential skin care product applications are being drafted. The Group has not yet commenced trials of its skin care products. Due to the time and expense it takes to build a skin care brand, once these products are developed, the Group may consider licensing such products to an existing market player.

INTELLECTUAL PROPERTY

Proprietary protection for the Group's products, processes and know-how is important to the success of its business. The Group relies on a combination of patents, trade secrets, know-how, trademarks and continuing technological innovation to develop and maintain its competitive position. The Group plans to prosecute and defend aggressively its intellectual property.

The Group's patent strategy

The Group's strategy is to file for patent protection for all its product inventions and improvements relating to its products. To date, patent applications have been made and list Mr. Cheung as the inventor, with all rights simultaneously assigned to the Group. Through this process the Group intends to construct a portfolio of patented products and processes that cover a broad range of markets, which will provide a wide base on which to develop its business.

The Group plans to apply for patents in relation to each of its product applications as they are developed, and the specific methods for microbe activation and acclimatisation used to manufacture such product applications. The Group considers three main issues in selecting the appropriate jurisdictions for filing patent applications: the potential market, the potential location of manufacturing and the strength of the jurisdiction in respect of enforcement against infringement activities. Generally, the Group's patent strategy is to file first in the United States and then seek an associated filing in a range of other countries through the PCT. See "Industry Overview — The Patent System". Individual submissions in non-PCT member states may also be made simultaneously.

The Group has not filed patent applications on every aspect of its research processes and methods which underlie the Group's products and which may be proprietary. The Group's strategy behind this policy is to avoid publication of details relating to such processes and methods and to rely upon protection of such processes and methods as a trade secret. Generally, part of the process for obtaining a patent will involve publication of the patent application. Also, it is common during the patent prosecution procedure for the scope of patent claims to be narrowed as a result of examination by the relevant patent office. Consequently, the scope of the claimed invention for which patent protection is granted may be narrower than the scope of the invention which was made available to the public. This risks other organisations, by reference to that publication, developing similar processes and methods or using the Group's processes and methods to develop applications that the Group has not yet developed itself. In addition, patent protection only provides protection from other companies using the same or similar technology for 20 years (subject to an extension in some countries). The Group may decide to file patent applications directed at its research processes and methods in the future, but considers that it is first important for it to establish a wide product range from which it can generate revenues. However, there can be no assurance that a patent would be granted in respect of any of the Group's research processes and methods.

The Group's patent and trademark portfolio

As at the Latest Practicable Date, the patent portfolio of the Group in the United States included three granted patents, four Notices of Allowance and 20 patent applications pending. See "Further Information About the Business of the Group — Intellectual property" in Appendix IV. Each of the Group's patent applications lists the Chief Scientist as the inventor of the product and includes an assignment of the invention by the inventor to the Group. Given that the majority of the Group's patent applications were filed in 2001 and 2002, the timing and scope of future grants of patents are uncertain.

The following table sets out the status of the Group's US Patent Office patent applications as at the Latest Practicable Date:

	Eco-agriculture						
Status with US Patent Office[1]	**Fertiliser**	**Animal Feed**	**Bioremediation**	**Pharmaceuticals**	**Nutraceuticals**	**Dermatologicals**	**Total**
Patent granted	—	—	3	—	—	—	3
Notice of Allowance received	2	—	2	—	—	—	4
Patent application filed, pending Notice of Allowance	4	13	3	—	—	—	20
Drafting in progress	4	5	7	50	10	5	81
Total	10	18	15	50	10	5	108

Note:

(1) In addition to patent applications filed with the US Patent Office, the Group has made or intends to make associated patent applications through the PCT for other PCT countries and national applications in non-PCT countries.

As at 25 June 2002, the Group had filed around 100 trademark applications, including the Company's corporate logo, and for the Group's trade names NutriSmart™, WonderTreat™, AgiPro™ and Vitagain™, and Chinese and Thai translations and transliterations of some of such trade names, in the United States, Australia, China and a number of other European and Asian countries. Of these, approximately ten have proceeded to registration. The remainder are pending applications. Due to a conflicting pre-existing NutriSmart™ trademark in Europe, the Group is considering alternative trademarks for use in Europe.

See "Risk Factors — Risks Related to Intellectual Property and Regulatory Issues" for a discussion of certain issues in relation to patents, trademarks and related matters relevant to the business of the Group.

REGULATORY AFFAIRS

Each of the Group's products is regulated according to its intended use and according to the country or region in which it is sold. Regulatory agencies impose stringent regulations relating to testing and approval of certain products. In addition, regulations covering research, development and manufacturing procedures are imposed. These include guidelines on animal testing and good manufacturing practices for pharmaceutical products. In many markets, especially in Europe, marketing and pricing strategies are subject to national legislation, for example in the PRC the sale of pharmaceuticals is subject to price controls. Regulatory authorities have administrative powers that include product recalls, seizure of products and other sanctions, as well as power to levy civil and criminal sanctions against the Group and its officers.

In general, the Group's eco-agricultural and bioremediation products are subject to significantly lower regulation than the Group's potential pharmaceutical products, which are subject to a highly-controlled regulatory environment. For example, the Group's fertiliser can be sold in some countries such as Australia, Myanmar, Thailand and the United Kingdom and the Group's bioremediation products can be sold in Australia, Canada, Hong Kong and the United States, in each case, without formal product registration. To the extent the Group's eco-agricultural and bioremediation products are required to be registered, such as in Indonesia and the Philippines, generally the requirements are for disclosure of ingredients and confirmation of efficiency, manufacturing processes and laboratory/field test results. Although the agricultural and environmental regulatory processes can vary significantly in time and expense from application to application, the timelines generally are shorter than the pharmaceutical regulatory process and range from three months to three years.

The Group's nutraceutical and dermatological products are not expected to be regulated as a pharmaceutical on the basis that such products are based on naturally occurring and commonly ingested microbes and the Group will not be making medicinal claims about its health supplement or skincare products. However, product registration may still be necessary in many jurisdictions.

Pharmaceuticals, however, are highly regulated. See "Industry Overview — Overview of the Clinical Trial Procedure". The Group intends to obtain regulatory approval for its pharmaceutical products eventually from the FDA in the United States, as FDA approval is perceived as an international benchmark. In addition, some countries accept FDA clearance together with associated data and information for a new biologically derived product.

The Group is also subject to local and foreign laws and regulations that affect its research and development and manufacturing capabilities, including those governing animal testing and environmental matters. The Directors believe that the Group is in compliance with all laws and regulations associated with its business in all material respects and has all material licences and permits required to operate its business.

COMPETITION

Commercialisation of biotechnological applications is a complex process requiring the integration of a number of skills and processes. Other companies or research institutes may focus on discrete areas of research and development related to parts of the cell selection, functional activation or environmental acclimatisation process or the products the Group produces or has under development. Significant competition exists in each of the markets in which the Group's products and products under development are or will be sold. Not only does the Group need to compete with other ecologically-based products, it also needs to compete with existing technologies. For example, NutriSmart™ competes with chemical, organic and microbial fertiliser suppliers, such as BASF, Kemeria Oje and Hydro Agri; bioremediation products will compete against other forms of organic and chemical environmental remediation products produced by companies such as Envirogen; pharmaceutical products will compete against current treatments for target diseases produced by major pharmaceutical companies, such as GlaxoSmithKline and Pfizer or biotechnological companies such as Amgen or Genentech; and nutraceutical products will compete against other forms of functional foods and health supplements produced by companies such as Unilever and Novartis.

The success of the Group in markets in which it competes against existing technologies will be influenced by its ability to demonstrate the effectiveness of its products and the strength of the science on which they are based. For example, the Group's fertiliser products are entirely different to traditional chemical fertilisers which may require the Group to engage in additional marketing efforts and require farmers to change their existing practices. See "Risk Factors — Risks Related to the Business Operations of the Group — Market acceptance for the Group's products is uncertain". In addition, as the Group develops new products in its target markets, it will face a range of new competitors, including, for example, other biotechnology and pharmaceutical companies. See "Risk Factors — Risks Related to the Business Operations of the Group — The Group faces intense competition and rapid technological change".

Competition in the Group's current and target markets is primarily driven by:

- Ability to develop, maintain and protect product applications;
- Technological advances that lead to new and better products;
- Product performance, price, features and reliability;
- The ability to establish and maintain long-term customer relationships in the Group's target markets;
- Timing of product introductions;
- Manufacturing, sales and distribution capabilities;
- Technical support and service; and
- Breadth of product line.

FACILITIES

The Group's general corporate headquarters and research and development facilities are located in the Tai Po Industrial Estate, Hong Kong. This facility is held under a medium-term lease from the Hong Kong Science and Technology Parks Corporation. This facility has gross floor area of approximately 15,185 sq.m. and was renovated in 2000. See "Property Valuation" in Appendix II.

INSURANCE

The Group maintains comprehensive insurance, including product and third-party liability coverage to the extent that it considers appropriate. The Group intends to seek additional appropriate product liability insurance coverage in all future trials it performs and for which it is liable. The Directors believe that the Group maintains the insurance coverage appropriate for its business and stage of development. Insurance coverage is obtained at market rates from independent third party issuers.

LITIGATION

The Group is not now, and since its inception has not been, involved in any material litigation or arbitration proceedings, nor are the Directors aware that any such proceedings are pending or threatened.

ACTIVE BUSINESS PURSUITS

The table below summarises the progress and achievements of the Group in the last two fiscal years and the period to the Latest Practicable Date:

Year ended 31 December 2000	Year ended 31 December 2001	Period from 1 January 2002 to the Latest Practicable Date
	BUSINESS OPERATIONS	
Commenced new product invention and commercialisation activities, including research and development into first fertiliser and bioremediation product applications in January Recruited additional members of the senior management team and additional staff in January. Established research and development teams of 16 scientists and technicians as at 31 December 2000 Commenced planning for and renovation of new research and development facility in Tai Po Industrial Estate, Hong Kong in January Established and commenced operations at the research and development facility in Tai Po Industrial Estate, Hong Kong in October	Continued new product invention and commercialisation activities, including research and development into first animal feed additives, pharmaceutical, nutraceutical and dermatological product applications throughout the period Expanded the research and development teams to 35 scientists and technicians as at 31 December 2001 Official opening of new research and development facility in Tai Po Industrial Estate, Hong Kong in January	Continued new product invention and commercialisation activities throughout the period Expanded the research and development teams to 47 scientists and technicians as at the Latest Practicable Date and engaged Mr. Cheung as Chief Scientist in May Established the Share Option Scheme conditionally approved by the shareholders of the Company and prepared for the Share Offer in June
	BUSINESS STRATEGIES	
Establishing research and development strategies for the Group's first product applications from March	Establishing distribution channels for NutriSmart™ in Thailand and planning of sales and marketing joint venture in Indonesia from February Expanding new product invention and commercialisation efforts into product areas such as pharmaceuticals, health supplements and skin care products from January Establishing further distribution channels for NutriSmart™ in Indonesia in May and Australia from August	Establishing sales and marketing strategies for bioremediation products in February Engaging partners to test bioremediation products from April
	PRODUCT TESTING AND DEVELOPMENT	
Submitted first patent applications for NutriSmart™ eco-fertiliser in September Commenced laboratory tests for NutriSmart™ in Hong Kong in March Produced prototype samples of NutriSmart™ in March Commenced field trials for NutriSmart™ in Hong Kong, Indonesia and Germany in April	Submitted 13 patent applications for fertiliser and bioremediation applications in March First Notice of Allowance issued by US Patent Office in relation to a bioremediation product patent application in October NutriSmart™ listed by OMRI in the United States as a product 'allowed' for use in organic production in August	Submitted 13 patent applications for animal feed additive applications in June Three patents granted in May, two Notices of Allowance issued in February and one Notice of Allowance issued in June by US Patent Office for the Group's fertiliser and bioremediation products Continued WonderTreat™ laboratory and field trials in Hong Kong throughout the period

Year ended 31 December 2000	Year ended 31 December 2001	Period from 1 January 2002 to the Latest Practicable Date
	Commenced NutriSmart™ field trials and product tests on over 50 crops in Australia, Canada, Malaysia, the Netherlands, the Philippines, the PRC, Thailand, the United Kingdom, the United States and Vietnam from March	Continued animal feed additive trials and product tests in the PRC throughout the period
	Commenced animal feed additive field trials and product tests in the PRC in April	Initial product tests for NutriSmart™ completed in the Philippines and application for product registration submitted in April
	Commenced laboratory experiments on WonderTreat™ in Hong Kong in May	Submitted application for NutriSmart™ product registration in Indonesia in May
	Obtained product registration for NutriSmart™ in the states of California in January and Washington in February in the United States	Continued human trials of potential pharmaceutical products in PRC hospitals throughout the period
	Commenced human trials of potential pharmaceutical products in PRC hospitals in September	

The Group's product tests noted above have in certain cases been undertaken by or in association with independent third parties. See "Business".

SALES AND MARKETING

Year ended 31 December 2000	Year ended 31 December 2001	Period from 1 January 2002 to the Latest Practicable Date
Commenced production trials of NutriSmart™ in the PRC in December	Distribution agreement signed with Forward (Thailand 1989) Co. Limited for NutriSmart™ in Thailand in June	Distribution agreement signed with Elders Limited for NutriSmart™ in Australia in March
	Formal launch of NutriSmart™ in December	Joint venture agreement signed for the marketing and sale of NutriSmart™ in Indonesia in April
	Commenced sales of NutriSmart™ in Thailand in December	Continued pre-sale trials of NutriSmart™ in the Netherlands, the Philippines and the United States throughout the period
	Commenced pre-sale trials of NutriSmart™ in the Netherlands in May, the Philippines in August and the United States in March	Commenced sales of NutriSmart™ in Australia and Myanmar in February
		Arranging pre-sale trials of WonderTreat™ formulation in Australia, Canada, Hong Kong, Taiwan and the United States
		Arranging pre-sale trials of AgiPro™ in Taiwan in June

USE OF PROCEEDS OF THE SHARE OFFER

The net proceeds of the Share Offer, after deducting underwriting fees and the estimated expenses payable by the Company in relation to the Share Offer, are estimated to be approximately HK$2,484 million (on the basis that the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.00, the top of the range stated in this prospectus). If the Over-allotment Option is exercised in full, the net proceeds (assuming such Offer Price) will increase to approximately HK$2,794 million. The Company currently intends to use the net proceeds of the Share Offer as follows:

- approximately HK$850 million will be used for research and development, (of which some HK$300 million will be used for core research and development activities, approximately HK$500 million will be used for clinical trials relating to potential pharmaceutical products and approximately HK$50 million will be used for patent applications);
- approximately HK$250 million will be used for the expansion of manufacturing as well as research and development facilities;
- approximately HK$350 million will be used for market development and brand building activities, as well as developing a sales and marketing infrastructure;
- approximately HK$500 million will be allocated for future direct and indirect investments in biotechnology related businesses;
- the balance of approximately HK$534 million will be used as general working capital of the Group to support its ongoing operations and expansion; and
- in the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK$310 million will be applied, as to approximately 25% for research and development, as to approximately 20% for manufacturing facilities, as to approximately 40% for market development and brand building, and as to approximately 15% for general working capital of the Group to support its ongoing operations and expansion.

On the basis of the current business objectives of the Group as set out under "Statement of Business Objectives and Strategies" and subject to the bases and assumptions set out in such section, the Group currently expects that the net proceeds of the Share Offer will be applied in accordance with the above uses as follows:

	Total amount of net proceeds	Latest Practicable Date to 31 December 2002	1 January to 30 June 2003	1 July to 31 December 2003	1 January to 30 June 2004	1 July to 31 December 2004	Percentage of total amount expected to be disbursed as at 31 December 2004	Balance remaining(2)
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	%	HK$ million
Research and development								
Core research and development activities..	300	30	32	33	38	42	58%	125
Clinical trials - pharmaceuticals	500	31	31	32	120	180	79%	106
Patent applications	50	2	4	5	4	5	40%	30
	850	63	67	70	162	227	69%	261
Expansion of manufacturing and research and development facilities	250	69	57	37	25	35	89%	27
Market development, brand building and sales and marketing	350	35	42	73	75	90	90%	35
	1,450(1)	167	166	180	262	352	78%	323

Notes:

(1) The total amount of net proceeds excludes HK$500 million allocated for future direct and indirect investments and HK$534 million general working capital noted above. The timing for application of the proceeds for future direct and indirect investments has not yet been determined. See "Business — Commercialisation of the Group's product applications".

(2) Such remaining balances will be applied in accordance with the uses disclosed above, but beyond the period covered by the "Statement of Business Objectives and Strategies" because of the long-term nature of the Group's research and development activities. Announcements with respect to the application of such balances will be made when appropriate.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed in interest-bearing deposits with banks or financial institutions. In the event there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement of the change.

In the event the Offer Price is less than HK$2.00, the net proceeds allocated in respect of general working capital shall be reduced accordingly.

BUSINESS OBJECTIVES

The Group aims to become a world-class biotechnology group, improving the quality of life by enhancing human health and the sustainability of the environment through its biotechnology solutions. In doing so, the Group aspires to be a global, comprehensive and broadly-based provider of life sciences products. The Group's objective is to develop product applications for a wide range of commercial markets based on its research and commercialisation expertise, as well as to capitalise on opportunities in its existing eco-agriculture, bioremediation, pharmaceutical, nutraceutical and dermatological product categories.

STRATEGIES

Key elements of the scientific and business strategy of the Group to achieve its business objectives include:

Commercialising product applications to address market needs

- forming a comprehensive and thorough understanding of market conditions;
- engineering the characteristics of product applications to match market conditions in order to maximise economic value; and
- undertaking product modifications where necessary, to broaden market coverage and penetration.

Recruiting and retaining a team of skilled scientists and business development personnel

- identifying and recruiting skilled research scientists and business development personnel with relevant experience in each of the Group's fields of research and development;
- providing a network of administrative support to enable the Group's scientists to focus on their areas of expertise;
- retaining the services of talented individuals and ensuring the Group's ownership of intellectual property by:
    - offering a combination of incentives, including competitive salary and benefits packages, as well as share options to key employees; and
    - requiring the assignment of all intellectual property rights to the Group with respect to innovative work developed during employment by the Group, and the signing of employment contracts including non-disclosure undertakings and other restrictive covenants; and
- diversifying responsibilities to ensure continuity of operations and minimisation of risks associated with over-reliance on a small number of individuals, without unnecessarily compromising confidentiality.

Pursuing strategic alliances to accelerate commercialisation of the Group's product applications

- continuing to establish strategic alliances with leading international academics, research institutes, manufacturers, distributors and other organisations in order to:
    - provide the Group with access to research and development expertise, manufacturing facilities and distribution channels across the target markets of the Group; and
    - enable the Group to leverage such other parties' capabilities in order to maximise the Group's ability to commercialise its applications; and
- investing directly or indirectly in complementary businesses, such as biotechnology product manufacturing or distribution businesses, which are expected to provide strategic benefits or promote the growth of the Group's businesses, to the extent that opportunities arise.

Maintaining a flexible manufacturing, sales and marketing strategy, whilst retaining ownership of the Group's intellectual property and control over the production of activated microbes

- retaining a proprietary interest in its applications, processes and methods, allowing the Group to leverage its discoveries into other market segments; and
- retaining control over the production of the activated microbes underlying the products that the Group develops, whilst adopting a flexible manufacturing and sales and marketing strategies according to the requirements of each product and the geographical location of the relevant market:
  - in the early stage of development, licensing and/or entering into joint ventures with third parties to manufacture, market and sell the Group's products as well as forming the Group's own manufacturing and sales and marketing capability; and
  - ultimately, in order to be able to market and sell products on a global basis, using a comprehensive franchise system under which partners and franchisees undertake the majority of the Group's manufacturing, sales and marketing.

Leveraging the research capabilities of the Group to find and develop new applications and accelerating research and development of existing products with increased investment

- capitalising on the Group's experience in developing and delivering its existing products to market, in order to capture any new opportunities which may arise in its target markets, such as those in relation to new product categories;
- leveraging the Group's new product research and commercialisation expertise to develop new product applications in other markets by applying such expertise to an even wider variety of cell functions; and
- increasing the Group's investment in research and development in order to enhance the capabilities of its existing products and accelerate the product development efforts of the Group in order to capture growth opportunities in the Group's target markets. Such investment will include:
  - design and implementation of more elaborate test programmes of products in different market and environmental conditions; and
  - research into alternative formulations to improve the performance and competitiveness of existing products.

Establishing a diverse portfolio of patented products

- diversifying the Group's research and development efforts and pursuing a wider range of potential products and applications, in order to reduce the risks inherent in research and development and the Group's reliance on any one of its programmes;
- establishing an early stream of sales revenues from the Group's commercialised products in order to support the development and commercialisation of new products; and
- obtaining intellectual property protection for the Group's product applications in its key potential markets as soon as possible.

IMPLEMENTATION SCHEDULE

As part of its plan to implement such strategies, the Group intends to undertake the following actions within the time periods specified. However, it should be noted that the Directors believe that the biotechnology industry is dynamic, fast changing and often difficult to predict. The implementation schedule set out below therefore only reflects the Group's present intentions. The Group expects to try to anticipate future changes in the biotechnology industries and therefore expects to take steps to remain flexible and versatile in order that it may successfully respond to such changes. Subject to such proviso and on the bases and assumptions set out below, the Group expects to implement the following:

Latest Practicable Date to 31 December 2002	1 January 2003 to 30 June 2003	1 July 2003 to 31 December 2003	1 January 2004 to 30 June 2004	1 July 2004 to 31 December 2004
		PRODUCT OBJECTIVES		
		Eco-agriculture — Fertiliser		
Appoint distributors and/or partners and launch NutriSmart™ in Malaysia, Indonesia, the Philippines, Taiwan and Vietnam Negotiate commercial arrangements with the Cheung Kong Group on fertiliser distribution and sales in the PRC Continue pre-sale trials in the United States, Europe and Asia File new patent applications Submit application for product registration in Vietnam	Begin sales in selected states of the United States, Indonesia, the Philippines, Taiwan and Vietnam Continue pre-sale trials in key markets in the rest of Asia and Europe Begin field trials on alternative formulations in Australia	Continue pre-sale trials in Europe Continue pre-sale trials in rest of Asia Begin pre-sale trials in Latin America	Begin sales in Europe and rest of Asia Complete field trials on alternative formulations	Commence sales of alternative formulations
		Eco-agriculture — Animal feed additives		
Continue research and development and preparation for marketing Launch AgiPro™ and commence pre-sale trials in China and Taiwan File new patent applications	Appoint Asian distributors Start the regulatory approval process in China and Taiwan	Market research on and preparation for pre-sale trials in other Asian markets Sales begin in China and Taiwan	Begin pre-sale trials in Canada or the United States Identify and commence negotiations with strategic partners in North America	Market research on and preparation for sales in Canada or the United States Commence sales in Canada or the United States
		Bioremediation		
Launch WonderTreat™ and begin pre-sale trials in Australia, Canada, Hong Kong and the United States Market research on and preparation for sales in Australia, Canada, Hong Kong and the United States	Continue pre-sale trials in Australia, Canada, Hong Kong and the United States Begin negotiations with strategic partners in Australia, Canada, Hong Kong and the United States Explore simplified design of wastewater treatment systems	Begin sales in Australia, Canada, Hong Kong and the United States Begin pre-sale trials in UK and the Netherlands Identify and commence negotiations with strategic partners in UK and the Netherlands Continue new design of wastewater treatment systems	Market research on and preparation for launch in UK and the Netherlands Begin sales in UK and the Netherlands Begin marketing of new wastewater treatment system design to strategic partners	Continue research into new formulations Begin pre-sale trials in Brazil

Latest Practicable Date to 31 December 2002	1 January 2003 to 30 June 2003	1 July 2003 to 31 December 2003	1 January 2004 to 30 June 2004	1 July 2004 to 31 December 2004
		Pharmaceuticals		
Continue product research and development on selected applications Begin pre-clinical trial studies and human safety trials File new patent applications	Submit applications for Phase I/II clinical trials in selected countries Continue product research and development	Begin Phase I/II clinical trials in selected countries Continue product research and development	Continue Phase II clinical trials in selected countries Review preliminary data from Phase II clinical trials Continue product research and development	Review data from Phase II clinical trials and prepare for Phase III clinical trial proposed submission Identify potential business partners
		Nutraceuticals		
Continue product research and development Market research on and preparation for sales in key Asian markets including packaging and market positioning Commence negotiations with potential distributors File new patent applications	Complete pre-sale trials and safety data analysis Complete negotiation with potential partner Test market sales in Asia	Begin sales in key Asian markets Market research on and preparation for sales in North America	Begin sales in North America Market research on and preparation for sales in selected European markets	Sales begin in selected European markets
		Dermatologicals		
Continue research and development Draft and submit patent applications	Continue research and development Begin pre-sale trials Preparation for marketing, including packaging and positioning development, market surveys Commence discussions with potential distributors	Complete pre-sale trials Test market sales Appoint distributors	Sales in Hong Kong and China Market research and preparation for sales in Malaysia and Thailand	Sales in Malaysia and Thailand
		PRODUCTION FACILITIES AND HUMAN RESOURCES		
Explore local manufacturing opportunities Expand manufacturing facility at Tai Po Industrial Estate in Hong Kong Continue to recruit scientists and business development personnel, with a target of 200 staff by 31 December 2002	Begin negotiations with local manufacturing partners Trial production of nutraceuticals, animal feed additives and WonderTreat™	Trial production of NutriSmart™ to begin in selected local manufacturing locations Large scale manufacturing of nutraceuticals, animal feed additives and WonderTreat™	Large scale local manufacturing of NutriSmart™ begins Preparing to obtain ISO 9000 accreditation for the Group's manufacturing and laboratory processes	Obtain ISO 9000 accreditation for the Group's manufacturing and laboratory processes

BASES AND ASSUMPTIONS

The Group has assessed the potential of the markets in which its businesses operate and has evaluated its existing market position and strengths on the basis of past industry trends as well as future growth and expected demand, in order to formulate its strategies to achieve its business objectives. A discussion of certain of the opportunities relating to the markets in which the Group's products are expected to be sold are set out in "Industry Overview — Market Opportunities". The strategies of the Group have also been formulated on the assumption that none of the risks that it faces as described under the section headed "Risk Factors" occurs or, to the extent any such risk does occur, its effect is mitigated and does not have a material adverse effect on any member of the Group.

DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor (李澤鉅), aged 37, is the Chairman of the Group. He is also the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. Mr. Victor Li is also the Chairman of Cheung Kong Infrastructure Holdings Limited, Deputy Chairman of Hutchison Whampoa Limited, an Executive Director of Hongkong Electric Holdings Limited, the Co-Chairman of Husky Energy Inc. and a Director of The Hongkong and Shanghai Banking Corporation Limited. He is a member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development and the Business Advisory Group. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. He joined the Group in April 2002.

KAM Hing Lam (甘慶林), aged 55, is the President and Chief Executive Officer of the Group responsible for overall strategic direction and key operating decisions. He has been instrumental in the formation of the Group. He has also 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, Group Managing Director of Cheung Kong Infrastructure Holdings Limited, Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited. He joined the Group in December 1999. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

IP Tak Chuen, Edmond (葉德銓), 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 and Cheung Kong Infrastructure Holdings Limited. He is currently 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 (余英才), 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.

PANG Shiu Fun (彭樹勳), aged 57, 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 extensively 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 (朱其雄), aged 57, 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, the PRC and Hong Kong.

LAM Hing Chau, Leon (林興就), aged 44, 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.

Non-Executive Directors

KWAN Chiu Yin, Robert (關超然) F.C.A., aged 65, 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 Ltd. and Shun Tak Holdings Ltd. Mr. Kwan was appointed a non-executive Director in June 2002.

TULLOCH, Peter Peace, aged 58, is Managing Director, Asia of CIBC World Markets with responsibility for business in non-Japan Asia. In addition, he is Chairman and a director of the major operating companies of the CEF Group, a Hong Kong-based joint venture financial services partnership between CIBC and Cheung Kong (Holdings) Limited. He is also a director of MLC (Hong Kong) Limited, a Hong Kong based life insurance company controlled by MLC Limited, Australia. Mr. Tulloch joined CIBC in 1985 as General Manager, Corporate Banking, South East Asia based in Singapore, and has assumed successive positions of responsibility. He has held various assignments in Hong Kong since 1990. Prior to joining CIBC, he held various posts with two other international banks in Asia. He 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 in April 2002.

Independent Non-Executive Directors

KWOK, Eva Lee (郭李綺華), 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, Husky Energy Inc. and B.C. Women's Hospital and Health Centre Foundation. 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 in June 2002.

WONG Yue-chim, Richard (王于漸), aged 50, currently serves as Dean of the Faculty of Business and Economics at The University of Hong Kong and as an Independent Non-Executive Director for Pacific Century Insurance Holdings Limited, Great Eagle Holdings Limited and Industrial and Commercial Bank of China (Asia) Limited. Mr. Wong has been active in advancing economic research on policy issues in Hong Kong and 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 Hong Kong Government for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Mr. Wong studied economics at the University of Chicago and graduated with a Doctorate in Philosophy. Mr. Wong was appointed an independent non-executive Director in June 2002.

SENIOR MANAGEMENT

CHEUNG Ling Yuk, Larry (張令玉), also known as Zhang Ling Yu, aged 47, 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, the Beijing TLB Institute, and its associated companies 北京田力寶實業公司 (Beijing TLB Company), 北京八林生物工程研究所 (Beijing BaLin Biological Engineering Institute), 北京八林環境生物工程有限公司 (Beijing BaLin Environmental Biological Engineering Co. Ltd.), 北京八林生物工程有限公司 (Beijing BaLin Biological Engineering Co. Ltd.) and 北京德瑞堂生物健康制品有限公司 (Beijing DeRuiTang Biological Health Product Co. Ltd.). 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 fertilisers.

CHEN Yuguang (陳宇光), aged 44, is a Technology Development 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 (孔祥誠), aged 72, is the Controller, Laboratory Research of the Group. He is a graduate from the Peking Normal University with 50 years' experience in laboratory research in both PRC 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 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.

LAM Hak Loong, Daniel (*林克龍*), 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 organisations 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 (*譚彬*), aged 35, is the Controller, Laboratory Operations, of the Group. She graduated from China Technology and Operation Management University in the PRC with nine years' experience in laboratory research and management in both the PRC 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 (*楊逸芝*), aged 41, 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 (*唐慧慈*), aged 41, 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.

SENIOR RESEARCH, DEVELOPMENT AND TECHNICAL STAFF

CHAN Pui Barbara (陳佩), aged 30, is a Project Manager of the Group. She holds a Doctorate in Surgical Science from The Chinese University of Hong Kong. She has worked for The Chinese University of Hong Kong and Innovation and Technology Commission, Hong Kong. Prior to joining the Group in June 2002, she was Research Fellow of Wellman Laboratories of Photomedicine Massachusettes General Hospital, Harvard Medical School.

CHUNG Wai Ki, Terence (鍾偉祺), aged 33, is an Assistant Project Manager of the Group. He has a Bachelor of Science degree in Biology and a Master of Philosophy degree in Biology from The Chinese University of Hong Kong. He holds a Doctor of Philosophy degree in Microbiology from The University of Maine. He joined the Group in March 2002. His publications have appeared in Applied & Environmental Microbiology, Microbios and Environmental Science & Engineering.

HUI Kwong Yue (許廣宇), aged 33, is a Project Manager of the Group. He holds a Doctoral degree in Biomedical Engineering from Case Western Reserve University and a Master's degree in International Finance from Brandeis University. He has served a number of scientific positions with Orion Research, Inc., and Medispectra, Inc., in the United Kingdom and the United States. Prior to joining the Group in May 2002, he was the Chief Operating Officer in Elixir Bioscience, Inc of Massachusetts. Dr. Hui has published papers in the American Journal of Physiology and Analytical Chemistry.

HWANG Shui Shan, Isabel (黃水珊), aged 28, is an Assistant Project Manager of the Group. She has a Bachelor of Science degree from The University of London with first class honours in biochemistry and Master of Science degree from The Imperial College of Science, Technology & Medicine with Distinction in Chemical Research. She also holds a Doctor of Philosophy degree from The University of Hong Kong with awards including Sir Edward Youde Memorial Fellowship. Prior to joining the Group in May 2002, she had one additional year of research experience in the Medical Faculty, The University of Hong Kong. Her publications have appeared in Neuropeptides and Neuroscience Letter.

LI Kwong Bun, Sam (李廣濱), aged 46, is a Project Manager of the Group. He has a Master's degree in Public Health from The UCLA and a Master's degree in Microbiology from The Chinese University of Hong Kong. He also holds a Doctorate in Biochemistry & Molecular Biology from Monash University. Dr. Li has over 13 years' laboratory research and commercial experience in the United States, Sweden, Taiwan and Hong Kong. Dr. Li has worked with the Hong Kong Government, Pharmacia and The University of Hawaii. Prior to joining the Group in July 2000, he was a research fellow in The Institute of Biomedical Sciences, Academia Sinica, Taiwan with over ten publications to his name and papers in Microbios, Applied & Environmental Microbiology and J. Biochem. Biophy. Meths.

LIU Jing (劉靜), aged 27, is a Technologist of the Group. She holds a Bachelor's degree in Pharmacology from The China Pharmaceutical University, Nanjing and a Master's degree in management from The China Science and Technology Information Institute, Beijing with five years' laboratory research experience in both PRC and Hong Kong. Prior to joining the Group in May 2001, she was engaged in research work with Beijing TLB Institute.

LUI Po Yee, Pauline (呂寶儀), aged 29, is a Project Manager of the Group. She is a graduate of The Chinese University of Hong Kong with a first class honours in Biochemistry. She holds a Doctor of Philosophy degree in Biochemistry from The Chinese University of Hong Kong with four years of post-doctoral research experience. She is also the recipient of numerous awards and scholarships including Young Investigator Award 2000 from the International Society of Fracture Repair, Sir Edward Youde Memorial Fellowship and Croucher Foundation Studentship. She joined the Group in February 2001. She has over 20 publications including papers in Biochemical Biophysics Research Communication, Pflugers Archive and Methods in Enzymology.

LIU Raymond Long (劉瑞龍), aged 51, is a Project Manager of the Group. He holds a Doctor of Philosophy degree in Soil Microbiology. He has over ten years' experience in agriculture and agro-environmental studies and has worked with The University of Minnesota and United States Department of Agriculture prior to joining the Group in June 2002. Dr. Liu has over 10 publications in soil and environmental studies.

LUK Chui Wah, Sharon (*陸翠華*), aged 32, is a Project Manager of the Group. She holds a Doctorate of Philosophy degree in Biochemistry from The Chinese University of Hong Kong with four years' laboratory research experience. Prior to joining the Group in June 2001, she worked for The Chinese University of Hong Kong. She is the author of over ten publications including papers in Gene, Biochemistry Biophysics Research Communication, and Biochemistry Biophysics Acta.

POON Hon Yung (*潘翰勇*), aged 34, is a Project Manager of the Group. He holds a Doctor of Philosophy degree in Pharmacology from The University of Cambridge, and a Bachelor's degree in Pharmacy from King's College, The University of London, with first class honours. He also has a Master's degree in Business Administration. In addition, Dr. Poon is a registered pharmacist in Hong Kong and a member of the Royal Pharmaceutical Society of Great Britain. Prior to joining the Group in July 2001, he had four years' pharmacist and project management experience in the United Kingdom, Taiwan and Hong Kong in healthcare institutions and corporations including World Pioneer Limited, Asia Healthcare Inc. and Ivax Asia Limited.

SIU Fung Ming, Annie (*蕭鳳鳴*), aged 26, is a Project Manager of the Group. She is a first class honours graduate of the Chemistry Department, The Hong Kong Polytechnic University and a recipient of numerous awards. She holds a Doctor of Philosophy in Chemistry from the same university with over ten publications and papers in Journal of the American Chemical Society, The Journal of Chemical Physics and Journal of Physical Chemistry A. She joined the Group in June 2001.

SUEN Kar Man, Christine (*孫嘉文*), aged 30, is a Project Manager of the Group. She graduated with first class honours from The University of London and received her Doctorate in Molecular Biology from the same university. She has four years' laboratory research experience both in Hong Kong and the United Kingdom. Prior to joining the Group in October 2000, she was on research assignment with the Department of Medicine, The University of Hong Kong. Dr. Suen has published over ten papers in Blood, American Journal of Hematology, and Biochemical Society Transactions.

TIAN Qiqing (*田啟慶*), aged 28, is a Technologist of the Group. He graduated from The Peking Union Medical College and has eight years' laboratory research experience in both PRC and Hong Kong. Prior to joining the Group in May 2001, he was engaged in research work with Beijing TLB Institute.

WAI Sing Fai (*衛星輝*), aged 34, is a Project Manager of the Group. He holds a Doctor of Philosophy degree in Biochemistry from The University of Hong Kong. He is a specialist in protein chemistry. Prior to joining the Group in January 2001, he was a Biochemist with LeaderGene Limited for over three years. Dr. Wai has published papers in Biological Signals, FASEB Journal and Neuroscience Letter.

WANG Dacheng (*王大成*), aged 46, is a Project Manager of the Group. He holds a Doctorate in Agriculture and Forestry from The University of Helsinki. He has over ten years' research experience in both academic and government institutions in Hong Kong and overseas. He has held various research positions with a variety of institutions including National Institute of Scientific Research of the University of Quebec, The Institute of Geography, Chinese Academy of Sciences, Beijing and The National Public Health Institute, Finland. Prior to joining the Group in December 2000, he had research fellowship with The Hong Kong Polytechnic University. He has made over ten publications including papers in Agriculture, Ecosystems & Environment, and Environmental Science & Technology.

WONG Sze Wing, Wilson (*黃思永*), aged 30, is a Project Manager of the Group. He holds a Doctorate in Microbiology from The University of Hong Kong with five years' experience in postdoctoral research with The University of Hong Kong and Singapore Eye Research Institute. He joined the Group in August 2000. He has made over 20 publications, with papers in Mycological Research, Biodiversity and Conservation and Canadian Journal of Botany.

ZHOU Xiaodong (周小東), aged 37, is a Technologist of the Group. He holds a Bachelor's degree from The Hefei Technical University, China with 15 years' laboratory research experience in both PRC and Hong Kong. Prior to joining the Group in April 2001, he was with The Chinese Academy of Medical Sciences and Beijing TLB Institute.

SENIOR BUSINESS DEVELOPMENT STAFF

CHAN Siu Wah, Susana (陳韶華), aged 32, is the Corporate Communications Manager of the Group. She holds a Bachelor of Arts degree from The Chinese University of Hong Kong with nine years' experience in marketing and public relations. Prior to joining the Group in May 2002, she was the Corporate Communications Manager with CCT Telecom Holdings Limited.

CHEN Lucas (陳魯達), aged 41, is a Business Development Manager of the Group. He holds a Master of Science degree in Business Administration from The University of British Columbia, and a Bachelor's degree in Power Mechanical Engineering. He has over ten years' sales and marketing, business development and general management experience in Canada, PRC and Hong Kong. Prior to joining the Group in June 2000, he was the General Manager with Shanghai Yongsun Modern Agriculture Development Company Limited and General Manager of LB Lamston International Investments Inc.

CHING Sung, Eric (程嵩), aged 40, a Project Manager, has been with the Cheung Kong Group since March 1997. He holds a Master of Arts degree in Management. He has 13 years' of business development and project management experience and he has held management positions with Cheung Kong Infrastructure Holdings Limited. Prior to joining the Group in June 2002, he has worked for Hutchison Whampoa (China) Limited, China Assets Management Limited and Bank of Tokyo Limited.

KWONG Lai Kit, Alice (鄺麗潔), aged 39, is the Marketing Services Manager of the Group. She holds a Bachelor of Arts degree. She has worked for a number of commercial and charitable organisations for 13 years in marketing and public relations. Prior to joining the Group in January 2000, she was the Corporate Marketing Manager with Beijing Oriental Plaza.

LAI Kim Hung, Norman (黎劍雄), aged 46, is a Business Development Manager of the Group. He holds a Bachelor of Science degree in Agriculture from The National Taiwan University with over 12 years' experience in sales, marketing and senior management. Prior to joining the Group in February 2001, he held various positions with Syngenta for nine years with latest being Sales Manager accountable for regional sales of the China market.

LAI Shek Chung, Stanley (黎錫松), aged 51, is a Project Manager of the Group. He is an Incorporated Engineer of The Engineering Council, United Kingdom and a Member of the Institution of Electrical and Electronics Incorporated Engineers. He has over 20 years' experience in plant operations. Prior to joining the Group in April 2000, he held a variety of senior positions with a number of manufacturing companies including China Cement Company Limited, Hong Kong Clays & Kaolin Company Limited and Saint Galerie Tiles Limited.

LEUNG Garbun, Clement (梁家彬), aged 51, is a Business Development Manager of the Group. He holds a Master's degree in Business Administration. He has over 20 years' experience in sales, marketing, business and project management in the United States, PRC and Asia Pacific. Prior to joining the Group in April 2001, he has held a senior position with Monsanto EnviroChem.

LO Yee Wah, Eva (盧綺華), aged 41, is a Business Development Manager of the Group. She has a Master's degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's degree in Pharmacy from The University of London. She is a registered pharmacist in Hong Kong and a member of the Royal Pharmaceutical Society of Great Britain. She has had 18 years of experience with major multinational pharmaceutical corporations including Janssen and Watson Pharmaceutical. Prior to joining the Group in October 2001, she was with Novartis in the capacity of Regional Marketing Director, Asia Pacific.

LU Shen (盧森), aged 44, is a Business Development Manager of the Group. He holds a Doctorate in Plant Nutrition and a Master's degree in Business Administration both from The University of Guelph, Canada. Dr. Lu has over ten years' experience of which six years was with Cargill where he was posted to a variety of senior assignments in Florida, Winnepeg, Tianjin and Hong Kong in the area of fertiliser plant general management, international marketing, market development and product management prior to joining the Group in June 2002.

LUK Kau, Samuel (陸救), aged 41, is the Operations Manager of the Group. He holds a Master of Philosophy degree in Mechanical Engineering and a Master of Science degree in Technological Economics. He has 15 years of experience in manufacturing and production. Prior to joining the Group in April 2000, he was the Engineering Manager, Manufacturing Operations with Bausch & Lomb accountable for the manufacturing operation in China.

MA Kai Chi, Kalmond (馬啟智), aged 29, is the Assistant Strategy Development Manager of the Group. He holds a Master of Science degree in Environmental Science. He has three years' experience in environmental and project management. Prior to joining the Group in May 2002, he was a Project Manager of Friends of the Earth.

NG Chak Sum, Sidney (吳澤森), aged 45, is a Business Development Manager of the Group. He holds a Doctorate in Medical Biochemistry from The University of Manchester and a Master's degree in Business Administration. He has over 15 years' experience both in Hong Kong and overseas in postdoctoral research, business development and general management. Prior to joining the Group in February 2001, he has held various senior positions with different multinational, overseas and local corporations including Flexion Optical Fibre plc.

PAN Che Fun, Eric (潘啟歡), aged 35, is a Business Development Manager of the Group. He holds a Master of Science degree. He has eight years' experience in sales, marketing and business development. Prior to joining the Group in September 2001, he was the Business Manager, North East Asia with a global supplier of micro-ingredients, Finnfeeds International Limited, Danisco A/S Group.

SUNG Pui Fu, Danny (孫培虎), aged 41, is a Business Development Manager of the Group. He joined the Group in February 2000. He holds a Master of Science degree in Biochemical Engineering from The University of Birmingham. Prior to joining the Group in February 2000, he was with Syngenta for 13 years in sales of agrochemicals in PRC.

TAM Kim Ming, Lawrence (譚劍明), aged 39, is a Business Development Manager of the Group. He holds a Master's degree in Business Administration. He has 14 years' product, marketing and business development experience. Prior to joining the Group in October 2000, he was worked for a number of major multinational pharmaceutical companies including Roche, Sanofi Winthrop and Cyanamid.

YANG Zhenxiang, Jason (楊振祥), aged 39, is a Business Development Manager of the Group. He holds a Doctorate in Biological Wastewater Treatment. Dr. Yang has over 15 years' consulting and research experience covering wastewater treatment, water quality assessment and remediation, environmental consulting and municipal engineering both in Canada and China. He has worked for a variety of environmental consulting organisations including Washburn & Gillies, Paul Wisner, Golder and Stantec. Prior to joining the Group in June 2002, he was Principal Engineer of Halcrow China Ltd.

YIP Kwong To, Plato (葉廣濤), aged 31, is the Strategy Development Manager of the Group. He holds a Master of Philosophy degree from The Hong Kong Polytechnic University. He is also an Associate Environmental Auditor of the Environmental Auditors Registration Association. He has seven years' experience in environmental and project management. Prior to joining the Group in September 2001, he was the Assistant Director of Friends of the Earth and Director of Centre for Environmental Management Education and Development, The Hong Kong Polytechnic University.

ZHU Hong (朱紅), aged 42, is a Business Development Manager of the Group. He holds a Master of Engineering from The University of New South Wales and is a Chartered Professional Engineer, Australia. Mr. Zhu has 20 years' experience in the water treatment industry including bioremediation and he has worked with a variety of corporations both in China and Australia including The Changsha Design

Institute of the Ministry of Light Industry, SEPA Wastewater Treatment Pty Ltd., The Centre for Wastewater Treatment, The University of New South Wales and Vivendi Water, US Filter (Australia). Prior to joining the Group in June 2002, Mr. Zhu was the Senior Process Engineer of CRS Industrial Water Treatment Systems Pty Ltd., Australia.

SENIOR FINANCE AND ADMINISTRATION STAFF

CHAN Fai Hung, Andrew (陳輝洪), aged 34, is the Finance Manager of the Group. He has a Bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is also a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate of the Hong Kong Society of Accountants, with 11 years' experience in finance and accounting with major multinational corporations. Prior to joining the Group in July 2000, he had worked for Procter & Gamble and Continental Grain.

CHAN Hon Kit (陳漢傑), aged 43, is the Building Services Manager of the Group. He holds a Master of Science degree in Engineering Business Management from The University of Warwick. Prior to joining the Group in September 2000, he had seven years' experience in building maintenance management. He has been with a number of organisations including St Paul's Hospital, Park'N Shop and Swire before joining the Group.

CHENG King Ming, Otto (鄭景明), aged 39, is the Systems Manager of the Group, has been with the Cheung Kong Group since March 1991. He joined the Group in February 2002. He holds a Master of Science degree in Business Systems Analysis and Design with eight years' experience in software and business application development.

CHENG Sau Ying, Irene (鄭秀英), aged 44, is an Accounting Manager of the Group. She holds a Master's degree in Business Administration from The University of Western Ontario. She is a Fellow of the Hong Kong Society of Accountants, an Associate of the Chartered Institute of Management Accountants, United Kingdom, Certified Member of the Society of Management Accountants of Ontario and an Associate of The Institute of Chartered Secretaries and Administrators, United Kingdom. Ms. Cheng has over 20 years' experience in accounting, corporate finance and company secretarial work and has been with a variety of corporations including ING Barings and Sun Hung Kai International Limited. Prior to joining the Group in June 2002, she was Senior Manager, Clearing Business Unit of Hong Kong Exchanges and Clearing Limited.

HON King Sang Dennis (韓景生), aged 47, is the Legal Manager of the Group. He holds a Master of Laws degree from The University of London. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of Judicature in England and Wales. He has over 20 years of legal experience and has held a number of senior positions with a variety of corporations including Jardine Matheson and CEF Holdings Ltd. Prior to joining the Group in June 2002, he was Senior Manager, Operations Centre, of River Trade Terminal Co. Ltd.

LAM Hong Kam, Boris (林康錦), aged 39, is the Administration Manager of the Group, has been with the Cheung Kong Group since January 1998. He holds a Master of Science degree in Information Systems from The Hong Kong Polytechnic University. He has 15 years' experience in office administration. Prior to joining the Group in January 2001, he has worked for a number of corporations including Modern Terminals Limited and Kowloon Motor Bus Company Limited.

LEE Mai Kuen, Jane (李美娟), aged 42, is the Personnel Manager of the Group, has been with the Cheung Kong Group since December 1995 and joined the Group in March 2002. She holds a Master of Science degree in Training and Human Resource Management. She is also an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom. She has over 18 years' experience in human resource management within the Cheung Kong Group and multinational pharmaceutical corporations including GlaxoSmithKline and Schering-Plough.

LEUNG King Sang, Billy (梁景生), aged 43, is the Security Manager of the Group with over 20 years' experience in security management. He joined the Group in September 2000.

NAM Cheung Ching, Adrian (藍章正), aged 32, is the Internal Audit Manager of the Group. He holds a Master of Science degree in Organisational Behaviour and a Bachelor of Science degree in Accounting and Finance both from The University of London. He is a Fellow of The Association of Chartered Certified Accountants and a CPA Singapore. He has over eight years' experience and has worked with PricewaterhouseCoopers, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong. Prior to joining the Group in June 2002, Mr. Nam was Manager, Compliance Divisions, of Mandatory Provident Fund Schemes Authority.

SZETO Yat Kong, John (司徒逸剛), aged 30, is the Planning & Investment Manager of the Group. He holds a Master's degree in Business Administration from The University of Hong Kong. Mr. Szeto has eight years' experience in equity investment, corporate financing and account auditing and has been with a variety of corporations including New World Infrastructure Limited, ABN-AMRO Bank and PricewaterhouseCoopers. Prior to joining the Group in June 2002, he was with CDP Capital.

QUALIFIED ACCOUNTANT

LAM Hing Chau, Leon

COMPANY SECRETARY

YEUNG, Eirene

AUDIT COMMITTEE

The Company established an audit committee on 26 June 2002 with written terms of reference based on the guidelines set out in "A Guide for the Formation of an Audit Committee" of the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments on such reports and accounts to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal financial control procedures of the Company. The members of the audit committee comprise two independent non-executive Directors, namely Kwok, Eva Lee and Wong Yue-chim, Richard who is the Chairman of such committee.

STAFF

Overview of staff numbers

As at the Latest Practicable Date, the Group had 132 full-time employees, most of whom are located at the offices and research facility of the Group at the Tai Po Industrial Estate, Hong Kong. The breakdown of the full-time employees of the Group by business function is as follows:

Production	5
Research and development	57
Sales and operations	26
Finance and administration	44
Total	132

The following table summarises the graduate and post-graduate degree qualifications of employees of the Group as at the Latest Practicable Date:

	New Product Invention	Microbe Processing and Production	Technology Development and Applied Research	Business Development	Finance and Administration	Corporate Office	Total	
Ph.D.	4	1	13	3	—	—	21	16%
Masters	12	1	12	12	6	6	49	37%
Degree	5	—	1	6	3	2	17	13%
Non-degree	9	3	1	5	26	1	45	34%
Total	30	5	27	26	35	9	132	100%

During the last two years the average number of employees of the Group has increased from 22 in 2000, to 82 in 2001. The Group expects that by 31 December 2002 the total number of persons employed by it will increase to approximately 200, mostly in response to growth in the Group's research and development activities.

The Group is not bound by any collective bargaining agreement. The Group has not experienced any strike or other industrial action by its employees and the Group considers its relationship with its employees to be good.

Benefits

The Group offers a remuneration package and range of additional benefits to its employees, including pension and medical benefits. In order to attract, retain and motivate quality employees, the Group will review the remuneration packages of its employees from time to time.

The Group also operates two pension schemes for its employees in the form of a provident fund and a mandatory provident fund in Hong Kong. The Group contributes 10% of the basic salary and 5% of the relevant income of staff members under the provident fund scheme and mandatory provident fund scheme, respectively. The Group's pension cost charged to its income statement was approximately HK$1.5 million, HK$3.6 million and HK$1.1 million for the financial years ended 31 December 2000, 31 December 2001 and the three-month period ended 31 March 2002, respectively. Contributions forfeited during a financial year are used to reduce the Group's contribution in that financial year. Forfeited contributions during such periods were HK$13,099, HK$329,693 and HK$167,990, respectively.

REMUNERATION OF DIRECTORS AND OTHER EMPLOYEES

The aggregate remuneration paid, and benefits in kind granted to, the Directors by any member of the Group for the financial year ended 31 December 2001 was HK$12,208,943. The estimated remuneration payable to, and benefits in kind receivable by, the Directors by any member of the Group in respect of the year ended 31 December 2002 (on the basis of their current service contracts) is expected to be HK$22,548,000. See note 9 to the Accountants' Report in Appendix I.

A sum of HK$100 million was paid by the Cheung Kong Group to Mr. Cheung as an inducement to join the Cheung Kong Group in the year ended 31 December 2000. Other than the payment to Mr. Cheung, there were no amounts paid to or receivable by the Directors or employees for the financial years ended 31 December 2000 and 31 December 2001 as an inducement to join or upon joining the Group or upon termination of employment. The inducement was paid by a member of the Cheung Kong Group, but the accounts of such member have been included in the results of the Group on the basis that the assets and business undertaking of such member were transferred to the Group. See note 1 to the financial information in the Accountants' Report in Appendix I.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme for the benefit of its employees and Executive Directors. Details of the Share Option Scheme are set out under “Share Option Scheme” in Appendix IV. The Group believes that the Share Option Scheme will assist in the recruitment and retention of high calibre executives and employees.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be taken up under the Share Offer), the only persons directly or indirectly holding interests in 10% or more of the Shares will be:

Name	Number of Shares	Approximate percentage of holding
Gold Rainbow	2,820,008,571	44.02%
Gotak Limited(1)	2,820,008,571	44.02%
Cheung Kong(2)	2,820,008,571	44.02%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust(3)	2,820,008,571	44.02%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust(3)	2,820,008,571	44.02%
Li Ka-Shing Unity Holdings Limited(3)	2,820,008,571	44.02%
Trueway	1,410,004,286	22.01%
Tangiers(4)	1,880,005,715	29.34%
Mr. Li Ka-shing(5)	4,700,014,286	73.36%

Notes:

(1) This represents the same block of Shares as shown against the name of Gold Rainbow above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited will be deemed to be interested in the same number of Shares to be held by Gold Rainbow under the SDI Ordinance.

(2) As Gotak Limited is wholly-owned by Cheung Kong, Cheung Kong will be deemed to be interested in the same number of Shares which Gotak Limited will be deemed to be interested under the SDI Ordinance.

(3) Under the SDI Ordinance, each of Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust shall be deemed to be interested in the same block of Shares as Cheung Kong is deemed to be interested in, as disclosed above. Please also refer to the section headed "Further information about Directors, senior management and staff — Directors" in Appendix IV.

(4) Trueway is wholly-owned by Tangiers and Tangiers will be deemed to be interested in a total of 1,880,005,715 Shares under the SDI Ordinance, being the aggregate of the Shares to be held by Trueway as shown against the name Trueway above and the 470,001,429 Shares held by Triluck (another company wholly-owned by Tangiers).

(5) This represents the aggregate of the blocks of Shares in which Tangiers and Cheung Kong will respectively be deemed to be interested under the SDI Ordinance. As Tangiers is wholly-owned by Mr. Li Ka-shing, under the SDI Ordinance Mr. Li Ka-shing will be deemed to be interested in the same number of Shares in which Tangiers will be deemed to be interested as mentioned above. Under the SDI Ordinance, Mr. Li Ka-shing will also be deemed to be interested in the same number of Shares in which Cheung Kong will be deemed to be interested as mentioned above. Please also refer to the section headed "Further information about Directors, senior management and staff — Directors" in Appendix IV.

INITIAL MANAGEMENT SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be taken up under the Share Offer), Cheung Kong, Gold Rainbow, Mr. Li Ka-shing, Trueway, Triluck and Mr. Cheung will be interested in 2,820,008,571 Shares, 2,820,008,571 Shares, 1,880,005,715 Shares, 1,410,004,286 Shares, 470,001,429 Shares and 399,985,714 Shares, respectively, representing approximately 44.02%, 44.02%, 29.34%, 22.01%, 7.33% and 6.24% respectively of the enlarged issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue. In relation to Mr. Li Ka-shing, the above figures do not take into account the Shares held or to be held by the Cheung Kong Group, in which Mr. Li Ka-shing is or will be deemed to be interested under the SDI Ordinance.

As such, each of Cheung Kong, Gold Rainbow, Mr. Li Ka-shing, Trueway, Triluck and Mr. Cheung is considered to be an initial management shareholder (as defined in the GEM Listing Rules) of the Company.

UNDERTAKINGS

Each of the Initial Management Shareholders will undertake with the Stock Exchange and the Company that, save as provided in Rule 13.18 of the GEM Listing Rules, it will not and will procure that none of its associates or companies controlled by it will dispose of (or enter into any agreement to dispose of) any of the Relevant Securities or any interests therein, or any shares held directly or indirectly by it or its associates in any company which is the beneficial owner of any of such Relevant Securities or interests as at the Listing Date together with Shares allotted pursuant to the Capitalisation Issue or pursuant to any exercise of options, subscription or conversion rights held immediately prior to the Listing Date nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities for a period of 12 months after the Listing Date. Each of Cheung Kong, Gold Rainbow, Trueway and Triluck has given certain non-disposal undertakings to the Company and Salomon Smith Barney in relation to the Underwriting Agreement or the Warranty and Indemnity Agreement as defined under the section "Underwriting — Underwriting Agreement" below. In addition, Mr. Cheung has voluntarily given certain additional non-disposal undertakings. See "— Additional Undertakings".

ESCROW ARRANGEMENTS

Each of the Initial Management Shareholders who is a holder of Shares on the Listing Date has undertaken to Salomon Smith Barney, the Stock Exchange and the Company that for 12 months after the Listing Date:

(a) such shareholder will place in escrow, with an escrow agent acceptable to the Stock Exchange, the Relevant Securities on terms acceptable to the Stock Exchange;

(b) such shareholder will not, save as provided in Rule 13.18 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities;

(c) in the event that such shareholder pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, it will inform the Company immediately thereafter, disclosing certain prescribed details; and

(d) having pledged or charged any of its interest in the Relevant Securities under sub-paragraph (c) above, such shareholder must inform the Company immediately in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities affected. Once the Company has been informed of the same, it shall publish an announcement setting out the details of the pledge or charge referred to in sub-paragraph (c) above and the disposal of Relevant Securities referred to above if relevant.

ADDITIONAL UNDERTAKINGS

In addition to his undertaking as an initial management shareholder (as defined under the GEM Listing Rules), Mr. Cheung has entered into a deed of undertaking dated 10 May 2002 with the Company, in which Mr. Cheung has undertaken not to Dispose of the Shares issued and allotted to him as at the Listing Date (the "Subject Shares") except with the prior written consent of the Company or otherwise in accordance with the following:

(a) within the first two years after the Listing Date (the "Non-Disposal Period"), Mr. Cheung shall not Dispose of any of the Subject Shares;

(b) in each year after expiry of the Non-Disposal Period up to a period of ten years after the Listing Date (the "Restricted Period"), Mr. Cheung shall not Dispose of any Subject Shares unless the Disposal is made to the extent of (i) 12.5% of the total number of the Subject Shares; and (b) any Subject Shares which Mr. Cheung is entitled to Dispose of in any preceding year during the Restricted Period (if any) but which he has not Disposed of;

(c) after expiry of the Restricted Period, Mr. Cheung shall be free to Dispose of the Subject Shares; and

(d) any Disposal made under sub-paragraphs (b) and (c) above shall only be made on a recognised stock exchange.

"Dispose" or "Disposal" means in relation to the Subject Shares, sell, transfer or otherwise dispose of or deal with directly or indirectly (including but not limited to, create or permit to subsist any pledge, lien, charge or mortgage over, or grant any option or other rights or any interest in) such Subject Shares or any part thereof or any interest therein or enter into any agreement with any third party for such purpose.

The deed of undertaking referred to above is one of the material contracts, particulars of which are also described in the section headed "Further Information About the Business of the Group — Summary of material contracts" in Appendix IV.

Furthermore, as Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited has given an undertaking to the Company and the Stock Exchange not to dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in shares in Gold Rainbow for a period of 12 months from the Listing Date. As Gotak Limited is wholly-owned by Cheung Kong, Cheung Kong has given an undertaking to the Company, Salomon Smith Barney and the Stock Exchange not to dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in) any shares in Gotak Limited within a period of 12 months from the Listing Date.

As both Trueway and Triluck are wholly-owned by Tangiers, Tangiers has given an undertaking to the Company and the Stock Exchange not to dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in shares of each of Trueway and Triluck for a period of 12 months from the Listing Date. As Tangiers is in turn wholly-owned by Mr. Li Ka-shing, Mr. Li Ka-Shing has given an undertaking to the Company and the Stock Exchange not to dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in shares in Tangiers for period of 12 months from the Listing Date.

SIGNIFICANCE OF RELATIONSHIP WITH THE CHEUNG KONG GROUP

Currently, the Cheung Kong Group is principally engaged in the fields of: property development and investment; property and project management and hotel operation; biotechnology and new technology businesses; and investment in securities. The Cheung Kong Group also beneficially owns 49.9% of the issued share capital of Hutchison. Currently, the Hutchison Group's core businesses include: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy, infrastructure, finance and investments. Both the Cheung Kong Group and the Hutchison Group are "connected persons" within the meaning given under the GEM Listing Rules in relation to the Group.

Cheung Kong and Mr. Li Ka-shing, which are interested in approximately 55.29% and approximately 36.86% of the issued share capital of the Company before the Capitalisation Issue and the Share Offer respectively, will be interested in approximately 44.02% and approximately 29.34%, respectively of the issued share capital of the Company immediately after the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised). Three of the executive Directors are also executive directors of Cheung Kong of whom two are also executive directors of Hutchison.

The Directors believe that the Group will benefit from a close ongoing relationship with its major shareholders. This relationship gives the Group the opportunity to leverage the commercial expertise of the Cheung Kong Group, as well as benefit from its reputation, providing the Group with credibility and assisting it in building its brands. The Directors believe that such arrangements give the Group access to experience, skills and relationships that it might not otherwise have access to.

The existing Connected Transactions between members of the Group and members of the Cheung Kong Group are set out in "— Connected Transactions" below. While the Company will have to comply with the GEM Listing Rules as to connected transactions when dealing with members of the Cheung Kong Group, there are no arrangements in place or proposed, save as disclosed in this prospectus, which would require members of the Cheung Kong Group and the Hutchison Group to maintain the relationship with the Group, with respect to both business and share ownership.

BENEFITS OF THE PROPOSED SPIN-OFF AND THE SHARE OFFER TO THE COMPANY

The Directors believe that the Proposed Spin-off and the Share Offer will provide a number of benefits to the Company including:

- enhancing the transparency of the performance of the Company's businesses given the different characteristics of the Company's businesses from those of the Cheung Kong Group;
- providing investors with an opportunity to invest separately in the Company and allowing the Company to establish its own shareholder base;
- providing the Company with added flexibility in funding its operations and capital expenditures, giving the Company the ability to tailor its capital structure to meet its business funding requirements and greater access to capital markets as a stand-alone entity;
- providing incentives for the management and staff of the Company to develop its businesses, by making the performance of the business operations more transparent and linking part of management's remuneration to the Company's performance through share options;
- enabling the management team of the Company to be more focused on its business, enhancing the decision-making process and its responsiveness to market changes; and
- improving the ability of the Company to attract and retain highly qualified professionals in its businesses by providing the Company with a higher profile.

POTENTIAL COMPETITION WITH THE CHEUNG KONG GROUP AND THE HUTCHISON GROUP

The Group has a clear business focus, distinct from that of its major shareholders. The Group's business focuses on the development, manufacture, marketing and sale of biotechnology products related to its five target markets; eco-agriculture, bioremediation, pharmaceuticals, nutraceuticals and dermatologicals. In addition, there is a clear delineation between the Group's business and the businesses of other parts of the Cheung Kong Group and the Hutchison Group.

The Group's businesses were previously subsidiaries of the Cheung Kong Group and pursuant to the Reorganisation, all the Cheung Kong Group's biotechnology interests were transferred to the Group, except Bio-World, CK Laboratory and Beijing WonderGrow. Bio-World and CK Laboratory transferred all their assets and business undertakings (including the employment of Mr. Cheung) to the Group in May 2002. Such companies therefore remain within the Cheung Kong Group, but have ceased operations.

Beijing WonderGrow engages in the manufacture and trading of the Group's fertilisers in the PRC under the WonderGrow™ brand. In contemplation of the Share Offer, the Group has decided to restructure its PRC operations and Beijing WonderGrow has not been included in the Group pursuant to the Reorganisation. Beijing WonderGrow will cease to sell WonderGrow™ in the PRC and the Group will form a new entity through which it will sell its fertiliser in the PRC, probably under its NutriSmart™ brand. Beijing WonderGrow will continue to subcontract production of the Group's fertiliser to independent third parties in the PRC, but the Group expects that Beijing WonderGrow's operations will be wound down over time as certain of its contracts are novated to the Group or are terminated. See "— Connected Transactions".

Given that the Cheung Kong Group and the Hutchison Group engage in a wide range of businesses, there is a possibility that the products of some of those businesses are or may be similar to, or otherwise compete with, the Group's business. For example, currently members of the Hutchison Group manufacture and/or sell water and beverages, health and beauty products and pharmaceutical products in Hong Kong and in other parts of the world. Such members of the Hutchison Group may manufacture and/or sell products that compete with the Group's nutraceutical, dermatological and pharmaceutical products.

In particular, the Hutchison Group is engaged in the research, development, manufacture, marketing and sale of pharmaceutical and nutraceutical products based on traditional chinese medicine and botanical chemistry. The Directors believe that the nutraceutical, dermatological and pharmaceutical products developed by the Group are distinct from those developed by the Hutchison Group, as the Group's product applications have been developed using the Group's activation and acclimatisation technology rather than traditional chinese medicine and botanical chemistry. In addition, a number of associated companies of the Cheung Kong Group and the Hutchison Group engage in medical, health care and dietary supplement businesses in a number of countries, including the PRC.

As at the date of this prospectus, the Directors believe that except as described above the Cheung Kong Group and the Hutchison Group do not carry on any business activities that directly compete with the Group's activities. Neither the Cheung Kong Group nor the Hutchison Group has undertaken not to engage in activities competing with the Group, nor are there any contractual restrictions for them not to do so.

Apart from Beijing WonderGrow and other members of the Cheung Kong Group and the Hutchison Group, none of the Directors (or their associates as defined in the GEM Listing Rules) or any of the Company's existing shareholders has any interest in the Group's customers or suppliers.

CONNECTED TRANSACTIONS

Connected transactions in respect of which waivers from the Stock Exchange have been applied for

The Company has applied for waiver from the announcement and shareholders' approval requirements as required under Rule 20.35 and Rule 20.36 of the GEM Listing Rules (for further details regarding such waivers see "Waivers from Strict Compliance with the GEM Listing Rules") in relation to the connected transactions under an agreement dated 26 June 2002 ("Production Services Agreement") between Beijing WonderGrow and the Group. Pursuant to the Production Services Agreement, Beijing WonderGrow manufactures the Group's products, including NutriSmart™, WonderTreat™ and is expected to manufacture animal feed additives in the future ("Production Services"). 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. The Production Services Agreement is entered into on normal commercial terms and in the ordinary course of business of the Group and its provision of Production Services are of a continuing and recurring nature. It is expected that the total consideration for the provision of the Production Services payable by the Group to the Cheung Kong Group shall not exceed HK$12,000,000 in the year ending 31 December 2002. It is expected that the total consideration shall not exceed HK$30,000,000 in the year ending 31 December 2003 based on the projected production volume for 2003.

Exempted connected transactions

Exempted connected transactions under the de minimus rule

1. Lease arrangements between the Group and Cheung Kong Group

Various subsidiaries of the Company have entered into lease arrangements with members of the Cheung Kong Group for renting of premises and car parking spaces in Hong Kong, the particulars of which are as follows:

(i) Tenancy agreements in relation to Flat A and Flat B (each, a "Unit"), 11th Floor, Tower 2, Deerhill Tower of Deerhill Bay, No, 4699 Tai Po Road, Tai Po Kau, Tai Po, New Territories, Hong Kong ("Deerhill Tower").

Pursuant to a novation agreement dated 21 June 2002 (as referred to in item (d) under the paragraph headed "Summary of material contracts" in Appendix IV) between (1) Montaco Limited (as landlord); (2) CK Laboratory (as tenant) and (3) CK Biotech Laboratory (as new tenant), CK Laboratory novated to CK Biotech Laboratory the rights and obligations under two existing tenancy agreements in respect of the Units (the "Tenancies"). The main terms of the Tenancies are:

Landlord	:	Montaco Limited ("Montaco"), a 87% subsidiary of Cheung Kong (as agent for and on behalf of Church Body of the Hong Kong Sheng Kung Hui and Hong Kong Sheng Kung Hui Foundation).
New tenant	:	CK Biotech Laboratory.
Term	:	two years commencing on 1 November 2000.
Rental	:	HK$30,000 per month (including rates, government rent and management fees) for each Unit.

(ii) Lease of certain car parking space(s) in Deerhill Tower.

A member of the Group currently has a lease arrangement with Montaco for the lease of one car parking space in Deerhill Tower. The rental payable for the car parking space is currently HK$3,200 per month and the total rental payable per annum for the car parking space currently leased by the Group and those that might be leased by the Group after completion of the Share Offer in a financial year is expected not to exceed HK$1,000,000. The current arrangement for the lease of the car parking space shall continue and the Group may have additional lease arrangements with Montaco for more car parking spaces after completion of the Share Offer. The arrangement for the lease of the car parking space at present is and the possible arrangement for the lease of any additional car parking spaces after completion of the Share Offer shall be on normal commercial terms and in the ordinary course of business of the Group.

(iii) Lease of certain car parking spaces in Cheung Kong Center, 2 Queen's Road Central, Hong Kong ("Cheung Kong Center").

A member of the Group currently has a lease arrangement with E-Park Parking Management Ltd for one car parking space in Cheung Kong Center. The rental payable for the car parking space is currently HK$4,200 per month and the total rental payable per annum for the car parking space currently leased by the Group and those that might be leased by the Group after completion of the Share Offer in a financial year is expected not to exceed HK$1,000,000. The current arrangement for the lease of the car parking space shall continue and the Group may have additional lease arrangements with E-Park Parking Management Ltd for more car parking spaces in Cheung Kong Center after completion of the Share Offer. The arrangement for the lease of the car parking space at present is and the possible arrangements for the lease of any additional car parking spaces after completion of the Share Offer shall be on normal commercial terms and in the ordinary course of business of the Group.

2. *Provision of interior architecture services*

Certain members of the Cheung Kong Group are providing and shall continue to provide to the Group after Listing interior architecture services related to design, tendering and/or site supervision for renovation projects (the "Architecture Services"). No fee was charged by the Cheung Kong Group for the Architecture Services in the financial year ended 31 December 2001 and it is expected that the total fees payable by the Group for the Architecture Services after the completion of the Share Offer in a financial year shall not exceed HK$1,000,000. The Directors consider that the provision of the Architecture Services at present is, and after completion of the Share Offer shall be, on normal commercial terms and in the ordinary course of business of the Group and the Directors consider that the provision of the Architecture Services is fair and equitable.

Under Rule 20.25(3) of the GEM Listing Rules, a continuing connected transaction on normal commercial terms where the annual total consideration or value is less than the higher of HK$1,000,000 or 0.03% of the net tangible assets of a listed issuer will normally be exempted from all the reporting, announcement and shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules. Since the transactions under each of the lease arrangements as mentioned in (1)(i), (1)(ii) and (1)(iii) and the provision of the Architecture Services as mentioned in (2) above are of a continuing and recurring nature and the annual total consideration under each of these transactions does not exceed HK$1,000,000 or 0.03% of the net asset value of the Group after completion of the Share Offer, these transactions are exempted continuing connected transactions under Rule 20.25(3). Should the amount of consideration payable by the Group in respect of each of these transactions exceed the higher of HK$1,000,000 or 0.03% of the net tangible assets of the Group in any financial year, transactions under the relevant arrangement will be subject to the applicable reporting, announcement and shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules.

DTZ Debenham Tie Leung Limited, a firm of independent property valuer, has confirmed that the rental payable under each of the lease arrangements stated in (1)(i), (1)(ii) and (1)(iii) above is fair and reasonable so far as the Group is concerned. The Group confirms that the terms of each of these lease arrangements and the provision of the Architecture Services are on normal commercial terms and are fair and equitable.

Exempted connected transactions for sharing of administrative services with the Cheung Kong Group

Certain members of the Cheung Kong Group are providing and shall continue to provide after Listing services to the Group including, inter alia, electronic data processing services and electrical and mechanical services relating to repair maintenance and renovation (collectively, the "Services"). The total consideration paid by the Group to the Cheung Kong Group for the Services in the year ended 31 December 2001 was approximately HK$2,500,000, being the proportional fees incurred for the Services provided for that year. The Group expects that the share of fees payable by the Group for the year ending 31 December 2002 shall not exceed HK$3,000,000. The fees incurred by the Group for the Services provided and to be provided by relevant members of the Cheung Kong Group is determined on an actual cost sharing basis by reference to the cost incurred in providing the Services. The cost recovery system is based on actual staff time incurred and a cost recovery rate. The cost recovery ratio is in turn, based on the actual staff cost plus a markup to cover the office overhead. Thus, the Directors consider that the cost allocated between the Group and the Cheung Kong Group to be on a fair and equitable basis proportional to utilisation for the Group as a whole under Rules 20.23(9) of the GEM Listing Rules.

Under Rule 20.23(9) of the GEM Listing Rules, sharing of administrative services between the Company and a connected person on a cost basis will normally be exempted from all the reporting, announcement and shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules. The sharing of the Services falls within such exemption and thus the transactions detailed above constitute exempt connected transactions which are exempted from the reporting, announcement and shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules.

The authorised and issued share capital of the Company are as follows:

Number of Shares		*HK$*
Authorised share capital:		
15,000,000,000	Shares of HK$0.10 each	1,500,000,000
Issued shares:		
70,000	Shares in issue as at the date of this prospectus	7,000
Shares to be issued:		
5,099,930,000	Shares to be issued to the existing shareholders of the Company upon the Capitalisation Issue	509,993,000
1,307,000,000	Shares to be issued under the Share Offer	130,700,000
Total:		
6,407,000,000	Shares (excluding any Shares which may be issued pursuant to the Over-allotment Option)	640,700,000

Under the GEM Listing Rules, subject to the Company's market capitalisation, the minimum level of public float to be maintained by the Company at all times after listing is 20% of the share capital in issue from time to time.

Assumptions

The table above assumes that the Share Offer and the Capitalisation Issue become unconditional. The table takes no account of any:

(a) Shares which may be issued under the general mandate to issue Shares;

(b) Shares which may be repurchased by the Company;

(c) Shares which may be issued upon exercise of the Over-allotment Option; or

(d) Shares which may be issued upon exercise of options granted under the Share Option Scheme.

Ranking

The Offer Shares will rank equally with all Shares now in issue or to be issued and will qualify for all dividends or other distributions declared, made or paid in respect of a record date after the date of this prospectus, except that the registered holders of the Offer Shares will not be entitled to any Shares to be issued pursuant to the Capitalisation Issue.

Share Option Scheme

The Group has conditionally adopted a Share Option Scheme. A summary of the principal terms of the scheme is set out under the paragraph headed "Share Option Scheme" in Appendix IV.

General mandates to issue Shares and repurchase Shares

For further details of the general mandates to issue Shares and repurchase Shares, see "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the combined financial statements of the Group and related notes set out in Appendix I. The Group's business models for its current and future products are still at an emerging stage and the turnover and income potential from many of the Group's products is unproven. The Group's lack of operating history means that an analysis of the combined historic financial statements in relation to the Group may not be meaningful. As a result, the Group's past results of operations do not reflect its future prospects and period-to-period comparisons of its operating results should not be relied on as an indication of future performance. References below to "fiscal 2001" and "fiscal 2000" are to the years ended, and as at, 31 December 2001 and 2000, respectively and references below to "first quarter 2002" and "first quarter 2001" are to the three-month periods ended, and as at, 31 March 2002 and 2001, respectively.

Overview

The Group is engaged in the research and development, commercialisation, marketing and sale of biotechnology products. Building on its strengths in product development and commercialisation, the Group aims to become a world-class global biotechnology company, providing solutions to pressing and universal problems concerning the environment and human health.

The Group has identified five target markets of significant commercial potential and developed a range of product applications designed to meet the needs of these markets. The Directors believe that many of the current solutions available in such markets are not satisfactory in terms of performance and/or their potentially damaging side effects. The five markets on which the Group's products and product development are focused are eco-agriculture, bioremediation, pharmaceuticals, nutraceuticals and dermatologicals.

Sales of NutriSmart™, a range of environmentally friendly fertilisers, have commenced in Australia, Myanmar and Thailand and pre-sale trials have commenced in Indonesia, the Netherlands, the Philippines, Taiwan, the United States and Vietnam. Pre-sale trials are being arranged for WonderTreat™, a range of bioremediation products, in Australia, Canada, Hong Kong, Taiwan and the United States. Pre-sale trials are also being arranged for AgiPro™, a range of animal feed additives, in Taiwan. Other products in the commercialisation phase include nutraceutical, pharmaceutical and dermatological applications. For the financial year ended 31 December 2001, the Group generated combined revenues of HK$148,200 (which related to the Group's first sale of NutriSmart™ in December 2001) and for the three-month period ended 31 March 2002, the Group generated combined revenues of HK$134,160. For the two and a quarter years ended 31 March 2002, the Group incurred an accumulated loss of HK$217.6 million.

The Group's research and development and commercialisation activities are led by two subsidiaries, CK Biotech Laboratory Ltd., responsible for the invention of new product applications, and CK Life Sciences Int'l., Inc., responsible for the commercialisation of such new product applications. The Directors believe that the Group can apply the processes and methods it uses for microbe selection, functional activation and environmental acclimatisation to the development of a broad range of biotechnology products. Since January 2000, the Group has independently developed 108 product applications, 27 of which were the subject of granted patents and patent applications as at the Latest Practicable Date. The Group has started the commercialisation of all 108 product applications, which are currently at different stages of the commercialisation process. As at the Latest Practicable Date, the Group's patent portfolio consisted of three granted patent applications, four patents applications for which Notices of Allowance had been received and 20 other pending patent applications, all in the United States.

The expertise within the Group's research and development and commercialisation teams includes, among others, molecular biology, biochemistry, structural biology, functional proteomics, chemistry and pharmacology. To complement its internal capabilities, the Group collaborates with international companies, hospitals, government institutes, environmental organisations and academic institutions.

Collaborations with such independent third parties have included field trials of the Group's fertiliser products under various conditions with various crops, field trials of the Group's animal feed additive products with various types of animal, field trials of the Group's bioremediation formulations on water pollution and preliminary human trials of the Group's potential pharmaceutical product applications. The Directors believe that the integration of the Group's research and development and commercialisation teams, along with its external collaborations, enhances its ability to develop new applications and bring such applications efficiently to market.

Principal income statement components

Turnover

Turnover comprises sales revenues net of sales returns and sales allowances. The Group's turnover will be derived from sales of its biotechnology products and related services. The Group commenced sales of its NutriSmart™ fertiliser product in December 2001, has entered into agreements with distributors in Australia (Elders) and Thailand (Forward (Thailand 1989) Co. Limited) and has formed a joint venture in Indonesia. The Group is also discussing entering into distribution agreements with independent third parties in other countries. The Group does not currently sell any other of its biotechnology products, as they are at varying stages of commercialisation. The date of commencement of commercial sales of the Group's other products is not certain and commercial sales of its pharmaceuticals might not be for several years, if at all. See "Risk Factors — Risks Related to the Business Operations of the Group".

The Group currently has two customers for its fertiliser products, Elders in Australia, Forward Thailand in Thailand and Myanmar. The largest customer is Forward Thailand to whom the Group made one sale of fertiliser products to Thailand in December 2001 amounting to HK$148,200 and another sale to Myanmar in March 2002 amounting to HK$59,280. Sales to the Group's largest customer, Forward Thailand, accounted for approximately 44.2% of the Group's turnover of HK$134,160 for the first quarter 2002. The Group expects that its customer base will increase significantly during 2002 as the number of its distributors increases. Therefore, the Group's current customer base is not indicative of the Group's expected customer exposure in the future. None of the Group's directors, their associates or any shareholder (who owns more than 5% of the Company's share capital) has any interest in the Group's customers.

Cost of sales

The principal component of the Group's cost of sales is fees paid to Beijing WonderGrow with respect to subcontractor charges relating to the Group's third party manufacturers. Currently, Beijing WonderGrow, a subsidiary of Cheung Kong, subcontracts the manufacture of the Group's fertiliser product in the PRC, using the processed microbes provided by the Group. Beijing WonderGrow charges the Group by reference to the costs charged by the subcontractor plus a margin designed to cover its administrative and operating costs. See "Relationship with Major Shareholders — Connected Transactions". The Group expects that it will continue to use contract manufacturers, as well as establishing its own (or with joint venture parties) manufacturing facilities, depending on the product and location of the market in which it will be sold.

The Group's cost of sales for fiscal 2001 and first quarter 2002 amounted to HK$103,600 and HK$103,830, respectively. Fees paid by the Group to Beijing WonderGrow with respect to subcontractor charges relating to the Group's third party manufacturers accounted for 100% of the Group's cost of sales for each such period. The Group expects to diversify the manufacture of its products as it expands business operations, reducing its reliance on Beijing WonderGrow and expects Beijing WonderGrow to cease operations by June 2003. Therefore, the Group's reliance on Beijing WonderGrow as its sole supplier of fertiliser is not expected to be indicative of the Group's supplier exposure in the future. Apart from Beijing WonderGrow, the Group has been supplied with goods and services by other third parties relating to its operating activities, including with respect to the renovation of the Tai Po facility and the purchase of scientific instruments.

None of the Group's directors, their associates or any shareholder (who owns more than 5% of the Company's share capital) has any interest in the Group's suppliers, except with respect to Beijing WonderGrow. See "Relationship with Major Shareholders — Potential Competition with the Cheung Kong Group and the Hutchison Group" and "— Connected Transactions".

Other revenue

Currently, other revenue comprises interest income on bank deposits. Following the completion of the Share Offer, the Group expects to deposit the proceeds on deposit with banks or financial institutions prior to application in accordance with the use of proceeds set out in this prospectus. As a result, the Group expects that prior to application of the proceeds of the Share Offer the contribution of interest income to the combined revenues of the Group will increase significantly. In addition, in the future the Group expects to generate consultancy fees and licensing fees from its operations.

Staff cost

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

Depreciation and amortisation of intangible assets

Depreciation is provided for on the basis set out in note 2 to the Accountants' Report in Appendix I.

Intangible assets, comprising development costs and patents, which have been capitalised are amortised over a period of not more than ten years from the date of commercial launch of the related product on a straight line basis, subject to impairment.

The Group capitalises costs relating to patents and development costs prior to the commencement of commercialisation of a product or process, if it is technically or commercially feasible and the Group has sufficient resources and the intention to complete development. The development costs capitalised include the cost of materials, direct labour and an appropriate proportion of overheads. Once capitalised, development costs are stated at cost less amortisation and impairment losses. See note 2 to the Accountants' Report in Appendix I.

Other operating expenses

Other operating expenses comprise expenditure on research and development activities relating to products that have been commercialised, overheads relating to pure research activities, consultancy fees, sales and marketing expenses, and general and administrative expenses. These generally include administrative and distribution costs, advertising and promotion costs, outward shipping costs and general and administration overheads.

Production strategy

The Group aims eventually to form a global production network. However, in its current stage of development, the Group's production strategy is to ensure flexibility in production and to minimise unnecessary production over-capacity. Currently, the Group manufactures in Hong Kong the processed microbes which form the basis of all its products. The processed microbes are then exported to the Group's contract manufacturers in the PRC for incorporation into the Group's fertiliser products. Until the Group's new markets develop a critical mass in terms of sales volume, the Group will export its products from its manufacturing bases which are geographically closest to such new markets. Therefore, a higher level of outward shipping costs will be incurred for new markets until demand reaches sufficient levels to make the establishment of local production facilities (by a third party and/or the Group) economically viable.

Combined financial results

The Group's current corporate structure resulted from the reorganisation undertaken by the major shareholders to consolidate and simplify the Group structure under the Company prior to the Share Offer. Therefore, the Group has not previously produced combined or consolidated financial statements. In addition, audited non-consolidated financial statements have only been prepared for CK Life Sciences Limited (audited by Deloitte Touche Tohmatsu) and Far East Biotech Int'l Inc. (audited by Servansingh Associates, Mauritius). However, in preparing the audited combined financial statements the auditors have reviewed all material transactions of all companies of the Group.

The combined financial results included in this prospectus present audited combined financial results of the Group companies for the fiscal years ended 31 December 2000 and 31 December 2001 and the three-month periods ended 31 March 2001 (unaudited) and 31 March 2002 as if the current Group structure had been in existence throughout such periods. In addition, as part of the Reorganisation, the Group acquired the assets and business undertakings of two subsidiaries of Cheung Kong, Bio-World and CK Laboratory. The combined financial statements of the Group include the financial position and results of operations of such companies as if such companies had been transferred to the Group on 1 January 2000. See note 1 to the Accountants' Report in Appendix I. As the Group commenced operations only recently and it has had only limited sales to date, the Group's combined results for these periods do not reflect what the Group's results will be in the future as its existing businesses develop and new businesses are introduced. Consequently, such historical combined operating results should not be used as a basis to predict future performance.

The table below sets out a summary of the audited combined results of operations of the Group for the two years ended 31 December 2001 and the three-month period ended 31 March 2002, extracted from the information included in the Accountants' Report set out in Appendix I, and the unaudited results of operations of the Group for the three-month period ended 31 March 2001, in each case prepared on the basis that the current Group structure had been in existence throughout such periods:

	Year ended 31 December		Three-month period ended 31 March	
	2000	2001	2001	2002
			(unaudited)	
	HK$	HK$	HK$	HK$
Turnover[1]	—	148,200	—	134,160
Cost of sales	—	(103,600)	—	(103,830)
Gross profit	—	44,600	—	30,330
Other revenue[2]	2,596	14,185	—	3,682
Staff cost	(120,285,444)[3]	(31,249,725)	(6,292,306)	(13,736,317)
Depreciation	(378,310)	(6,615,358)	(1,890,894)	(2,951,569)
Amortisation of intangible assets	—	(52,680)	—	(158,040)
Other operating expenses	(16,805,392)	(20,036,897)	(3,015,865)	(5,333,750)
Loss before taxation	(137,466,550)	(57,895,875)	(11,199,065)	(22,145,664)
Taxation	(24,127)	(38,350)	—	—
Loss for the year/period	(137,490,677)	(57,934,225)	(11,199,065)	(22,145,664)
Loss per Share[4]	(2.7) cents	(1.1) cents	(0.2) cents	(0.4) cents

Notes:

(1) The Group's combined turnover for the year ended 31 December 2001 and the three-month period ended 31 March 2002 comprised sales of NutriSmart™ in Australia, Myanmar and Thailand.

(2) Other revenue represented interest received from bank deposits.

(3) Staff cost for the year ended 31 December 2000 included an inducement payment of HK$100 million paid to Mr. Cheung.

(4) The calculation of the loss per Share is based on the net loss for each of the two years ended 31 December 2001 and the three-month periods ended 31 March 2001 and 31 March 2002 and assuming 5,100,000,000 Shares in issue, comprising 70,000 Shares in issue as at the date of the prospectus and 5,099,930,000 Shares to be issued pursuant to the Capitalisation Issue as described in the paragraph headed "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV to the prospectus.

Three-month period ended 31 March 2002 compared to the three-month period ended 31 March 2001

Turnover

Turnover increased to HK$134,160 in first quarter 2002 from zero in first quarter 2001. This was due to the sales of NutriSmart™ in Australia and Myanmar in the first quarter 2002 following the Group's first fertiliser sales in December 2001 in Thailand. Prior to December 2001, the Group had not made any sales of its products.

Cost of sales

Cost of sales increased to HK$103,830 in first quarter 2002 from zero in first quarter 2001. This related primarily to the fees paid to Beijing WonderGrow with respect to subcontracting the manufacture of the NutriSmart™ sold.

Gross profit

As a result of the foregoing, the Group's gross margin was 22.6% in first quarter 2002. The Group's gross margin decreased by comparison with fiscal 2001 was due to lower selling prices in Australia as a result of promotional discounts.

Other revenue

Other revenue increased to HK$3,682 in first quarter 2002 from zero in first quarter 2001. The other revenue received in the first quarter 2002 was generated by interest income derived from bank deposits.

Staff cost

Staff cost increased by 118.3% to HK$13,736,317 in first quarter 2002 from HK$6,292,306 in first quarter 2001. This increase resulted from an increase in the number of staff from 65 in first quarter 2001 to 106 in first quarter 2002 as the Group expanded its operations.

Depreciation

Depreciation increased by 56.0% to HK$2,951,569 in first quarter 2002 from HK$1,890,894 in first quarter 2001. This increase resulted from additional capital expenditure incurred as operations expanded.

Amortisation of intangible assets

Amortisation of intangible assets increased to HK$158,040 in first quarter 2002 from zero in first quarter 2001. This increase resulted from the commercialisation of the Group's first product in December 2001 and therefore the commencement of the amortisation of the Group's development costs and patents of the relevant product.

Other operating expenses

Other operating expenses increased by 76.9% to HK$5,333,750 in first quarter 2002 from HK$3,015,865 in first quarter 2001. This increase resulted from an increase in the level of the Group's operating activities. See "Statement of Active Business Pursuits — Active Business Pursuits".

Taxation

No provision for taxation was required to be made in the first quarter 2002 and the first quarter 2001 as no taxable profits were generated.

Loss for the period

As a result of the foregoing, the loss for the period increased by 97.7% to HK$22,145,664 in first quarter 2002 from a loss for the period of HK$11,199,065 in first quarter 2001.

Year ended 31 December 2001 compared to the year ended 31 December 2000

Turnover

Turnover increased to HK$148,200 in fiscal 2001 from zero in fiscal 2000. This was due to the commencement of sales of NutriSmart™ in December 2001 in Thailand. Prior to December 2001, the Group had not made any sales of its products.

Cost of sales

Cost of sales increased to HK$103,600 in fiscal 2001 from zero in fiscal 2000. This related primarily to the fees paid to Beijing WonderGrow with respect to subcontracting the manufacture of the NutriSmart™ sold.

Gross profit

As a result of the foregoing, the Group's gross margin was 30% in fiscal 2001.

Other revenue

Other revenue increased by 4.5 times to HK$14,185 in fiscal 2001 from HK$2,596 in fiscal 2000. This increase resulted from an increase in the level of interest income derived from bank deposits.

Staff cost

Staff cost in fiscal 2000 included a HK$100,000,000 inducement payment paid in a number of cash instalments to Mr. Cheung to cease all his previous operations and to join the Group. Staff cost, excluding the inducement fee, increased by 54.0% to HK$31,249,725 in fiscal 2001 from HK$20,285,444 in fiscal 2000. This increase resulted from an increase in the average number of staff from 22 in fiscal 2000 to 82 in fiscal 2001 as the Group expanded its operations. However, in fiscal 2001, there was a lower average salary per headcount as a result of the Group recruiting more mid-to-low-ranking employees, following the recruitment of the senior management team in fiscal 2000.

Depreciation

Depreciation increased by 16.5 times to HK$6,615,358 in fiscal 2001 from HK$378,310 in fiscal 2000. This increase resulted from the official opening of the Tai Po facility in January 2001 and therefore the depreciation of the property, plant and equipment relating to such facility commenced in fiscal 2001.

Amortisation of intangible assets

Amortisation of intangible assets increased to HK$52,680 in fiscal 2001 from zero in fiscal 2000. This increase resulted from the commercialisation of the Group's first product in December 2001 and therefore the commencement of the amortisation of the Group's development costs and patents of the relevant product.

Other operating expenses

Other operating expenses increased by 19.2% to HK$20,036,897 in fiscal 2001 from HK$16,805,392 in fiscal 2000. This increase resulted from an increase in the level of the Group's operating activities. See "Statement of Active Business Pursuits — Active Business Pursuits".

Loss before taxation

As a result of the foregoing, loss before taxation decreased by 57.9% to HK$57,895,875 in fiscal 2001 from a loss before taxation of HK$137,466,550 in fiscal 2000.

Taxation

Taxation increased by 59.0% to HK$38,350 in fiscal 2001 from HK$24,127 in fiscal 2000. This increase resulted from Hong Kong profits tax on the increase in service fee income paid by Ultra Biotech for the research and development and technical services provided by CK Laboratory. CK Laboratory made a profit before tax of HK$239,684 and HK$141,297 in fiscal 2001 and fiscal 2000, respectively.

Loss for the year

As a result of the foregoing, the loss for the year decreased by 57.9% to HK$57,934,225 in fiscal 2001 from a loss for the year of HK$137,490,677 in fiscal 2000.

INDEBTEDNESS

Borrowings

As at 31 May 2002, being the latest practicable date for the indebtedness statement prior to the publication date of this prospectus, the Group had an amount due to its immediate holding company of approximately HK$522 million. Such indebtedness was subsequently assigned directly or indirectly to the present shareholders of the Company, and was capitalised on 17 June 2002.

Contingent liabilities

As at 31 May 2002, the Group had no significant contingent liabilities.

Disclaimer

Save as aforesaid and apart from other intra-group liabilities, as at the close of business on the Latest Practicable Date, neither the Company nor any of its subsidiaries had any outstanding mortgages or charges or debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptance credits or any guarantees or material contingent liabilities.

No material change

The Directors have confirmed that, save as disclosed in this "Financial Information" section, there has not been any material change in indebtedness and contingent liabilities of the Company or its subsidiaries since 31 May 2002.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net liabilities

As at 31 May 2002, the Group had net liabilities of approximately HK$235 million. Current liabilities comprised trade and other payables of approximately HK$22 million. Non-current liabilities comprised an amount due to immediate holding company of approximately HK$522 million. Current assets comprised inventories, trade and other receivables and cash at bank of approximately HK$4 million, HK$5 million and HK$42 million, respectively. Non-current assets comprised property, plant and equipment of approximately HK$212 million and intangible assets of approximately HK$46 million.

Borrowings and banking facilities

As at 31 May 2002, the Group did not have any available banking facilities and its only outstanding indebtedness was the amount due to its immediate holding company of approximately HK$522 million. Subsequent to that date, interest in part of such indebtedness was assigned to Mr. Cheung. All of such indebtedness was capitalised on 17 June 2002.

Long-term obligations

Except for leases in respect of staff quarters (see note 21 to the Accountants' Report in Appendix I), the Group does not have any capital lease obligations, operating leases, unconditional purchase obligations or other long-term obligations.

Capital commitments

The Group is in the early stages of developing its biotechnology business and it is therefore in the process of incurring significant development costs. The Group incurred net losses from ordinary activities before taxation on a combined basis of HK$137 million, HK$58 million and HK$22 million in the years ended 31 December 2000, 31 December 2001 and the three-month period ended 31 March 2002 respectively. The Group expects net losses to increase as its business expands and new products are launched. Its capital commitments as at 31 March 2002 contracted for, but not provided for in the financial statements, amounted to approximately HK$6.2 million. These commitments were in respect of the purchase of laboratory instruments and equipment. The commitments of the Group are expected to be funded by part of the net proceeds of the Share Offer. See "Use of Proceeds".

Financial resources

Prior to the completion of the Share Offer, the liquidity and capital requirements of the Group have been financed by the holding companies of the Company. It is expected that the net proceeds raised by the Share Offer will be sufficient to meet the future operating and capital expenditure cashflow requirements until the operations of the Group become mature and are capable of generating positive cashflows. It is also expected that the Group may raise bank borrowings should the need arise.

Properties

Details of the properties owned, leased or contracted to be leased by the Group are set out in Appendix II. DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the property interests of the Group as at 30 April 2002. Details of the valuation and the text of letter, summary of values and the valuation certificates from DTZ Debenham Tie Leung Limited are set out in Appendix II.

Dividends

The Company currently does not expect to recommend payment of any dividends in the near future. The declaration, payment and amount of dividends will be subject to the discretion of the Directors and will be dependent upon the future operations and earnings, financial condition and cash requirements of the Group and other factors as may be deemed relevant at such time by the Directors.

In light of the Group's operating losses, there was no reserve available for distribution to the shareholders of the Company as at 31 May 2002.

Disclosure under chapter 17 of the GEM Listing Rules

No member of the Group has advanced any money to any entity which exceeds 25% of the Group's combined net tangible assets as at the Latest Practicable Date, nor provided any financial assistance and guarantees to affiliated companies which exceed 25% of the Group's combined net tangible assets as at the Latest Practicable Date, the controlling shareholder has not pledged any Shares to secure debts, guarantees or support of other obligations of the Group, and has not entered into any loan agreements importing specific performance obligations on the controlling shareholder. The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

WORKING CAPITAL

As at 31 May 2002, the Group had combined net current assets of approximately HK$29 million. The Directors are of the opinion that, taking into account the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements.

MARKET RISKS

The Group's primary market risk exposure is expected to relate to movements in foreign currency exchange rates. Currently, the Group's expenses and liabilities are primarily denominated in Hong Kong dollars and Renminbi, as the Group's operations are based in Hong Kong and its fertiliser products are manufactured by subcontractors in the PRC. The Group's products are currently sold in Australia, Myanmar and Thailand and the Group's revenues are currently denominated in US dollars. As the Group expands its product lines and its geographical sales, the Group expects to license the manufacture of its products to third parties or enter into joint ventures. The Group's revenues will therefore be denominated in a wider range of different currencies, but manufacturing expenses will not be solely denominated in Renminbi to the extent that new manufacturing arrangements are entered into. As the Group expects its operations to be undertaken on a global basis, it expects that a significant proportion of its foreign currency exposure will be naturally hedged. To the extent it is not, the Group expects that it will attempt to mitigate the adverse affect of exchange rate fluctuations mainly through the use of forward exchange contracts. To date, the Group has not entered into any such forward exchange contracts.

ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the combined net liabilities of the Group as at 31 March 2002, as set out in the Accountants' Report in Appendix I of the Prospectus, adjusted as described below:

	Based on an Offer Price of HK$1.80	Based on an Offer Price of HK$2.00
	HK$'000	HK$'000
Audited combined net liabilities of the Group as at 31 March 2002	(217,571)	(217,571)
Adjustment for intangible assets	(41,616)	(41,616)
	(259,187)	(259,187)
The Group's unaudited losses for the two-month period ended 31 May 2002	(17,120)	(17,120)
Add: unaudited amortisation of intangible assets for the two-month period ended 31 May 2002	105	105
	(17,015)	(17,015)
Capitalisation of loans as additional investment in the Group	522,158	522,158
Deficit arising on revaluation of leasehold land and buildings[1]	(31,835)	(31,835)
Estimated net proceeds of the Share Offer[2]	2,222,600	2,484,000
Adjusted net tangible assets	2,436,721	2,698,121
Adjusted net tangible asset value per Share[3] (based on 6,407,000,000 Shares in issue and to be issued as mentioned herein)	HK$0.38	HK$0.42

Notes:

(1) The deficit arising from revaluation of leasehold land and buildings will be incorporated into the financial statements of the Group for the year ending 31 December 2002.

(2) The estimated net proceeds of the Share Offer takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section, but it takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV.

NO MATERIAL CHANGE

Save as disclosed in this prospectus, the Directors are not aware of any material adverse change in the financial or trading positions or prospects of the Group since 31 March 2002.

UNDERWRITERS

Public Offer Underwriters

Salomon Smith Barney Hong Kong Limited

BNP Paribas Peregrine Securities Limited

BOCI Asia Limited

CLSA Limited(1)

ICEA Capital Limited

The Hongkong and Shanghai Banking Corporation Limited

CEF Capital Limited

China Everbright Capital Limited

Core Pacific-Yamaichi International (H.K.) Limited

FB Gemini Securities Limited

ING Bank N.V.

SG Securities (HK) Ltd.

South Capital Brokerage Limited

Sun Hung Kai International Limited

Worldsec International Limited

Placing Underwriters

Salomon Smith Barney Hong Kong Limited

BNP Paribas Peregrine Securities Limited

BOCI Asia Limited

CLSA Limited(1)

ICEA Capital Limited

The Hongkong and Shanghai Banking Corporation Limited

CEF Capital Limited

China Everbright Capital Limited

Core Pacific-Yamaichi International (H.K.) Limited

FB Gemini Securities Limited

ING Bank N.V.

SG Securities (HK) Ltd.

South Capital Brokerage Limited

Sun Hung Kai International Limited

Worldsec International Limited

Note:

(1) CLSA Limited has formed a strategic marketing alliance with CIBC World Markets Corp. pursuant to which they share underwriting obligations with respect to the Share Offer.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

The Company is offering (a) the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the application forms relating thereto, and (b) the Placing Shares for subscription by way of the Placing.

Subject to the GEM Listing Committee granting listing of and permission to deal in the Shares and the exercise of options that may be granted under the Share Option Scheme (subject only to allotment and despatch of share certificates in respect thereof) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on GEM, and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived by Salomon Smith Barney (on behalf of the Underwriters) not later than 2 August 2002, (a) the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the application forms relating thereto, for the Public Offer Shares now being offered and which are not taken up under the Public Offer; and (b) the Placing Underwriters have severally agreed to apply or procure applications or placees for the Placing Shares which have not been subscribed for or placed pursuant to the Placing.

Each of Trueway and Triluck has entered into a warranty and indemnity agreement dated 3 July 2002 (the "Warranty and Indemnity Agreement") pursuant to which each of Trueway and Triluck has given certain warranties, indemnities and undertakings to Salomon Smith Barney, the Public Offer Underwriters and the Placing Underwriters in relation to the Underwriting of the Offer Shares.

Grounds for termination

The obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers for the Offer Shares are subject to termination and Salomon Smith Barney (on behalf of the Underwriters) (after consultation with the Company) has the absolute right upon giving notice to the Company to terminate the Underwriting Agreement if certain events, including but not limited to the following, shall occur at any time prior to 8:00 p.m. on 15 July 2002:

(a) any breach considered in the reasonable opinion of Salomon Smith Barney to be material in the overall context of the Share Offer, of any of the warranties or any other provision of the Underwriting Agreement;

(b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and not having been disclosed to or known to Salomon Smith Barney, would have constituted an omission considered in the reasonable opinion of Salomon Smith Barney to be material in the overall context of the Share Offer;

(c) any statement contained in the prospectus is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the reasonable opinion of Salomon Smith Barney to be material;

(d) any event, act or omission which gives or is likely to give rise to any material liability to the Company or Cheung Kong pursuant to the indemnities contained in the Underwriting Agreement;

(e) any adverse change in the business or the financial or trading position of any member of the Group considered in the reasonable opinion of Salomon Smith Barney to be material in the overall context of the Share Offer;

(f) any event or series of events, matters or circumstances concerning or relating to, or any change in:

    (i) Hong Kong, the Cayman Islands, the United States, the PRC or any other relevant jurisdiction's local, national or financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions; or

(ii) any new law or change in existing laws or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or the Cayman Islands or any other relevant jurisdiction in which the Group operates; or

(iii) any event of force majeure affecting Hong Kong, the Cayman Islands, the United States, the PRC or any other relevant jurisdiction in which the Group operates including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(iv) the conditions of the Hong Kong or the US equity securities or other financial markets; or

(v) the imposition of any moratorium, suspension or material restriction on trading in securities generally by banks in the United States or Hong Kong or on the Stock Exchange or the New York Stock Exchange due to exceptional financial circumstances; or

(vi) a change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or the Cayman Islands or any other relevant jurisdiction in which the Group operates or affecting an investment in the Shares or the transfer or dividend payment in respect thereof;

which, in the sole opinion of Salomon Smith Barney:

(i) is or will be, or is likely to be, materially adverse to the business or financial condition or prospects of the Group taken as a whole; or

(ii) makes it inadvisable or inexpedient to proceed with the Public Offer and/or the Placing.

Undertakings

Each of the Initial Management Shareholders has given undertakings to the Stock Exchange and the Company not to dispose of its interests in the Relevant Securities, the details of which are set out in the section headed "Substantial and Initial Management Shareholders".

The Company has undertaken to Salomon Smith Barney that, it will not, and each of Cheung Kong, Gold Rainbow, Trueway and Triluck has undertaken to Salomon Smith Barney that it will procure that, the Company will not, without the prior written consent of Salomon Smith Barney and unless in compliance with the GEM Listing Rules, within six months from the date of the commencement of dealings of the Shares on GEM, issue or agree to issue Shares or securities convertible into Shares (whether or not of a class already listed) or announce any intention to do so, except as contemplated under the Underwriting Agreement or pursuant to, inter alia:

(a) any capitalisation issue or any consolidation, sub-division or capital reduction of Shares;

(b) any issue of Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) which satisfies the requirements as detailed in the Underwriting Agreement and the Warranty and Indemnity Agreement; or

(c) any issue of Shares pursuant to any exercise of options granted or to be granted under the Share Option Scheme.

Commission and expenses

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. In addition, Salomon Smith Barney will receive a financial advisory fee for providing advisory services and for acting as the sponsor to the Share Offer. Such financial advisory fee and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, which are currently estimated to be approximately HK$130 million in aggregate, will be payable by the Company.

Underwriters' interests in the Group

Save as pursuant to the Underwriting Agreement and save as described under "Sponsor's interest in the Group" below, none of the Underwriters is interested, beneficially or otherwise, in any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Sponsor's agreement

Under a sponsor's agreement dated 3 July 2002 and made between Salomon Smith Barney and the Company (the "Sponsor's Agreement"), the Company has appointed Salomon Smith Barney and Salomon Smith Barney has agreed to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date the Shares are listed on GEM to 31 December 2002 and for two years thereafter until 31 December 2004 or until the Sponsor's Agreement is terminated upon the terms and conditions set out therein, whichever is earlier.

Sponsor's interest in the Group

Save for its obligations under the Underwriting Agreement and the Sponsor's Agreement, and interests in securities that may be subscribed for or purchased pursuant to the Share Offer, neither Salomon Smith Barney nor its associates have or may, as a result of the Share Offer, have any interest in any class of the securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Salomon Smith Barney who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of the securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

Neither Salomon Smith Barney nor its associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of underwriting and placing commission by Salomon Smith Barney as one of the Underwriters to the Share Offer and the financial advisory fee to be received by Salomon Smith Barney and save as otherwise disclosed in this prospectus.

No director or employee of Salomon Smith Barney has a directorship in the Company or any other company in the Group.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.00 and is expected to be not less than HK$1.80. Applicants under the Public Offer and applicants for Reserved Shares should pay, on application, the maximum price of HK$2.00 per Share plus brokerage at one per cent., Stock Exchange trading fee at 0.005 per cent. and the SFC transaction levy at 0.007 per cent. amounting to a total of HK$4,040.48 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described below, is lower than the maximum price, appropriate refund payments will be made. Further details are set out under "How to apply for Public Offer Shares and Reserved Shares" and "Terms and Conditions of the Public Offer".

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed on or around 11 July 2002 by agreement between Salomon Smith Barney (on behalf of the Underwriters) and the Company with reference to market demand for the Shares. **Prospective investors should be aware that the Offer Price to be determined on the IPO Pricing Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, based on the level of interest expressed by prospective investors, Salomon Smith Barney (on behalf of the Underwriters and with the consent of the Company) thinks it appropriate, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for lodging applications under the Public Offer and the Preferential Offer, cause to be published on the GEM Web-site and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese notice of the reduction of the Offer Price range. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the morning of 9 July 2002, the last day for lodging applications under the Public Offer and the Preferential Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital position of the Group, the offer statistics as currently set out under "Summary" and any other financial information which may change as a result of any such reduction. **Applicants under the Public Offer and the Preferential Offer should note that in no circumstances can applications be withdrawn once submitted, even if the Offer Price range is so reduced.**

If Salomon Smith Barney (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price, the Share Offer will not become unconditional and will lapse.

An announcement of the Offer Price, together with the results of applications under the Public Offer, the general level of indication of interest in the Placing and the basis of allotment of the Public Offer Shares and the number of shares (if any) reallocated from the Placing to satisfy excess demand in the Public Offer and the procedures for collecting share certificates and refund cheques (if any) are expected to be announced in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the GEM website at *www.hkgem.com* on 15 July 2002.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

(a) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Share Offer, and the Shares to be issued upon the exercise of the Over-allotment Option, the Capitalisation Issue and the exercise of options that may be granted under the Share Option Scheme); and

(b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by Salomon Smith Barney on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 2 August 2002, being the date which is 30 days after the date of the Underwriting Agreement.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be caused to be published by the Company on the GEM Web-site and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese on the next day following such lapse.

In the above eventuality, all application monies will be returned to the applicants, without interest and on the terms set out under "Refund of your money" in the application forms. In the meantime, application monies will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will be issued on 15 July 2002 and will become valid certificates of title at 8:00 p.m. on 15 July 2002, provided that (i) the Share Offer has become unconditional and (ii) the right of termination as described under "Underwriting — Grounds for termination" has not been exercised prior to that time.

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. A total of 1,307,000,000 Shares will initially be made available under the Share Offer. 130,700,000 Shares, representing 10% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Public Offer, and the remaining 1,176,300,000 Shares will initially be offered for subscription under the Placing.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both (except for Qualifying Shareholders and employees of the Group, whether directly or to a trust or trusts holding those Shares on their behalf, who, in addition to applying for Reserved Shares and/or Shares on a preferential basis under the Placing, may also apply for Public Offer Shares). The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors and Qualifying Shareholders. The Placing will involve selective marketing of Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Shares pursuant to an international placing, placings with Qualifying Shareholders, as well as an offer of Shares on a preferential basis as to allocation only to certain employees of the Group, whether directly or to a trust or trusts holding those Shares on their behalf. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors not having a sizeable demand for the Shares are unlikely to be allocated Placing Shares.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent approximately 20.40% of the enlarged issued share capital of the Group immediately after completion of the Share Offer and the Capitalisation Issue.

If the Over-allotment Option is exercised in full, the Shares comprised in the Share Offer will represent approximately 22.33% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue and the exercise of the Over-allotment Option.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case on a several basis, each being subject to the conditions set out under "Underwriting — Underwriting Arrangements and Expenses". If, for any reason, the Offer Price is not agreed between the Company and Salomon Smith Barney, on behalf of the Underwriters, the Share Offer will not proceed.

The Public Offer Shares are not available to the chief executive of the Group, the Directors, existing beneficial owners of Shares, or the associates (as defined in the GEM Listing Rules) of any of them.

THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and the other conditions described under "Conditions of the Share Offer") for subscription in Hong Kong of, initially, 130,700,000 Shares (representing 10% of the total number of Shares initially available under the Share Offer) at the Offer Price. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the Public Offer Shares will represent approximately 2.04% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised.

The Public Offer is sponsored by Salomon Smith Barney and underwritten by the Public Offer Underwriters. Applicants under the Public Offer are required to pay, on application, the maximum price of HK$2.00 per Share in addition to brokerage at 1%, Stock Exchange trading fee at 0.005% and the SFC transaction levy at 0.007%. If the Offer Price, as finally determined in the manner described above, is less than the maximum price of HK$2.00, appropriate refund (including the brokerage and the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made, without interest. Further details are set out under "How to apply for Public Offer Shares and Reserved Shares" and "Terms and Conditions of the Public Offer".

Allocation of Public Offer Shares will be based solely on the level of valid applications received. If there is over-subscription in the Public Offer, the basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro-rata basis. In addition, the allocation of Public Offer Shares in such circumstances may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

THE PLACING

The Company is initially offering 1,176,300,000 Shares for subscription by way of Placing. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent approximately 18.36% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised.

PLACING TO PROFESSIONAL, INSTITUTIONAL AND OTHER INVESTORS

The Placing Shares (other than Shares to be placed with Qualifying Shareholders and with employees of the Group as described below) will be conditionally placed on behalf of the Company pursuant to an international placing by the Placing Underwriters at the Offer Price which will be determined in Hong Kong dollars as described above in this section under "Determining the Offer Price". Shares will be placed with certain professional and institutional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong, Europe and other jurisdictions outside the United States (other than the PRC) in offshore transactions in reliance on Regulation S.

PREFERENCE TO EMPLOYEES OF THE GROUP

25,000,000 Placing Shares (representing approximately 1.91% of the Offer Shares and approximately 0.39% of the enlarged issued share capital of the Company upon completion of the Share Offer and the Capitalisation Issue, assuming the Over-allotment Option is not exercised) will be offered by the Company at the Offer Price (plus brokerage at 1%, Stock Exchange trading fee at 0.005% and the SFC transaction levy at 0.007%) on a preferential basis as to allocation only to certain employees of the Group in Hong Kong, whether directly or to a trust or trusts holding those Shares on their behalf. If these Placing Shares are not fully subscribed, Salomon Smith Barney may, in its absolute discretion, reallocate these Placing Shares to the Placing to be placed with professional, institutional and other investors. None of the employees of the Group or their associates may apply for Public Offer Shares under the Public Offer.

PREFERENCE TO SHAREHOLDERS OF CHEUNG KONG

In order to enable shareholders of Cheung Kong to participate in the Share Offer on a preferential basis as to allocation only, Qualifying Shareholders are being invited to apply for an aggregate of 59,000,000 Reserved Shares (representing approximately 4.51% of the Offer Shares and approximately 0.92% of the enlarged issued share capital of the Company upon completion of the Share Offer, assuming the Over-allotment Option is not exercised) in the Placing on an assured basis.

With a view to maintaining at least the minimum prescribed percentage of Shares in the hands of the public in compliance with the GEM Listing Rules immediately after the Share Offer, no Reserved Shares will be offered to Mr. Li Tzar Kuoi, Victor, Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust"), companies controlled by TUT as trustee of the LKS Unity Trust or any associate of each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor. Instead, Reserved Shares to which such shareholders would have been entitled will be reallocated to the Preferential Offer. As a result, Qualifying Shareholders, other than Mr. Li Tzar Kuoi, Victor, TUT as trustee of the LKS Unity Trust, companies controlled by TUT as trustee of the LKS Unity Trust and any associate of each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, are entitled to subscribe at the Offer Price for one Reserved Share for every whole multiple of 25 Cheung Kong Shares held by them at the close of business on the Record Date. Any Qualifying Shareholder holding less than 25 Cheung Kong Shares will not be entitled to apply for the Reserved Shares.

The Assured Entitlements may represent Shares not in a multiple of a full board lot of 2,000 Shares, and dealings in odd lot Shares may be at below their prevailing market price.

A **BLUE** application form is being despatched to each Qualifying Shareholder with an Assured Entitlement together with a copy of this prospectus. Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than, or equal to, their Assured Entitlements under the Preferential Offer. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying Shareholder's Assured Entitlement will be accepted in full, subject as mentioned in the **BLUE** application forms. Where a Qualifying Shareholder applies for a number of Reserved Shares greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their Assured Entitlements. Salomon Smith Barney, on behalf of the Placing Underwriters, will allocate any Assured Entitlements not taken up by Qualifying Shareholders first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of Salomon Smith Barney, to the Placing.

In addition to any application for Reserved Shares, Qualifying Shareholders will be entitled to apply for Public Offer Shares on **WHITE** or **YELLOW** application forms or by giving electronic instructions to HKSCC or using an ESP as their agents to apply under the terms and subject to the conditions of the Public Offer. Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** application forms or using an ESP as their agents or by giving electronic instructions to HKSCC under the Public Offer.

Assured Entitlements of Qualifying Shareholders are not transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Salomon Smith Barney has the authority to reallocate all or any Reserved Shares not taken up by Qualifying Shareholders to the Placing to be placed with professional and institutional and other investors, in such proportion as it deems appropriate.

The procedure for application under the Preferential Offer is set out in the section headed "How to apply for Public Offer Shares and Reserved Shares" and in the **BLUE** application forms.

The documents to be issued in connection with the Share Offer (comprising this prospectus and the application forms) will not be registered under any applicable securities legislation of any jurisdictions other than Hong Kong. Accordingly, no Reserved Shares are being offered to Overseas Shareholders or US Shareholders under the Preferential Offer and no BLUE application forms will be sent to such persons. Applications will not be accepted from Overseas Shareholders or US Shareholders or persons who are acting for the account or benefit of Overseas Shareholders or US Shareholders.

OFFER MECHANISM — REALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 261,400,000 Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 392,100,000 Offer Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 392,100,000 Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 522,800,000 Offer Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 522,800,000 Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 653,500,000 Offer Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). The number of Shares available under the Placing will be correspondingly reduced as a result of such reallocation. The Assured Entitlements of Qualifying Shareholders and the size of the preference to employees of the Group, whether directly or to a trust or trusts holding those Shares on their behalf, as described above will not be affected by such reallocation.

In addition, if the Public Offer is not fully subscribed, Salomon Smith Barney may, in its absolute discretion, reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportion and in such manner as Salomon Smith Barney considers appropriate.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Company has granted to the Placing Underwriters the Over-allotment Option which is exercisable by Salomon Smith Barney on behalf of the Placing Underwriters at any time and from time to time before 2 August 2002, being 30 days after the date of the Underwriting Agreement. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 159,250,000 additional Shares representing approximately 12.18% of the Shares initially available under the Share Offer, solely to cover over-allocations in the Placing, if any. The additional Shares issued pursuant to the exercise of the Over-allotment Option will be allocated to the Placing Underwriters at the discretion of Salomon Smith Barney. In order to facilitate settlement of over-allocations in connection with the Placing, a Stock Borrowing Agreement has also been entered into between (a) each of Gold Rainbow and Trueway and (b) Salomon Smith Barney. Pursuant to this arrangement, Gold Rainbow and Trueway have agreed that, if so requested by Salomon Smith Barney, Gold Rainbow and Trueway will lend to Salomon Smith Barney up to 95,550,000 Shares and 63,700,000 Shares, respectively on the following terms:

(i) the borrowed Shares will only be used to settle over-allocations under the Placing, and

(ii) the same number of Shares must be returned to Gold Rainbow or Trueway, as the case may be, no later than three business days following the earlier of (a) the date on which the Over-allotment Option is exercised in full and (b) the last day for the exercise of the Over-allotment Option.

Salomon Smith Barney may also cover such over-allocations by, among other means, purchasing Shares in the secondary market, exercise of the Over-allotment Option, or by a combination of purchases in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made on the GEM Web-site, and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese.

STABILISATION

In connection with the Placing, Salomon Smith Barney, on behalf of the Placing Underwriters, may over-allocate and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail. The number of Shares that may be over-allocated will be no greater than the number of Shares that may be issued under the Over-allotment Option. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such stabilisation, if commenced, may be discontinued at any time.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price will not be higher than the Offer Price.

Should stabilising transactions be effected in connection with the distribution of the Shares, they will be done at the direction, and in the absolute discretion, of Salomon Smith Barney. In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares in the secondary market effected solely for the purpose of covering over-allocations in the offering. The relevant provisions of the Securities Ordinance (Cap 333 of the Laws of Hong Kong) prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

I. HOW TO APPLY FOR PUBLIC OFFER SHARES

You may apply for Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** application form; or
- electronically instructing HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf; or
- instructing an ESP to act as your agent to apply for Public Offer Shares on your behalf. Your ESP may have several ways for you to give an instruction and to effect payment, including via the Internet. Your ESP will apply on your behalf using an ESP Application Form, which may only be used by ESPs.

WHICH APPLICATION METHOD TO USE

(a) WHITE application forms

Use a **WHITE** application form if you want the Public Offer Shares to be registered in your own name.

(b) YELLOW application forms

Use a **YELLOW** application form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) Instruct HKSCC to make an electronic application on your behalf via CCASS

Instead of using a **YELLOW** application form, you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) Instruct an ESP to make an application on your behalf

Instead of applying for Public Offer Shares using either a **WHITE** application form or a **YELLOW** application form or by giving an electronic instruction to HKSCC via CCASS, you may instruct an ESP to act as your agent to apply for Public Offer Shares on your behalf and elect for Public Offer Shares to be issued in your own name.

You can also elect for the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

You may apply for Public Offer Shares with other joint applicants if this is permitted by your ESP. Further details are contained in the paragraph headed "How to Apply by Using an ESP" in this section.

Note: The Public Offer Shares are not available to the chief executive of the Company, the Directors, existing beneficial owners of Shares, or the associates (as defined in the GEM Listing Rules) of any of them.

WHERE TO COLLECT THE WHITE AND YELLOW APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** application forms, may be obtained from:

Any participant of
The Stock Exchange of Hong Kong Limited

or

Salomon Smith Barney Hong Kong Limited
20th Floor, Three Exchange Square
8 Connaught Place
Hong Kong

or

BNP Paribas Peregrine Securities Limited
36/F, Asia Pacific Finance Tower
3 Garden Road
Central
Hong Kong

or

BOCI Asia Limited
35th Floor, Bank of China Tower
No. 1 Garden Road
Hong Kong

or

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

or

ICEA Capital Limited
42nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

or

The Hongkong and Shanghai Banking Corporation Limited
Level 15, 1 Queen's Road Central
Hong Kong

or

CEF Capital Limited
Suite 2001, 20/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

or

China Everbright Capital Limited
40/F Far East Finance Centre
16 Harcourt Road
Hong Kong

or

Core Pacific-Yamaichi International (H.K.) Limited
36/F, Cosco Tower, Grand Millennium
183 Queen's Road Central
Hong Kong

or

FB Gemini Securities Limited
2116 Hutchison House
10 Harcourt Road
Central
Hong Kong

or

ING Bank N.V.
39/F One International Finance Centre
1 Harbour View Street, Central
Hong Kong

or

SG Securities (HK) Ltd.
41/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

or

South Capital Brokerage Limited
Room 2801, 28/F, The Center
99 Queen's Road Central
Hong Kong

or

Sun Hung Kai International Limited
Level 12, One Pacific Place
88 Queensway
Hong Kong

or

Worldsec International Limited
11th Floor, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

or any one of the following branches of **The Hongkong and Shanghai Banking Corporation Limited:**

Hong Kong Island:	**Hong Kong Main Branch**	**Level 3, 1 Queen's Road Central**
	Aberdeen Centre Branch	**Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen**
	Cityplaza Branch	**Unit 065, Cityplaza I, Taikoo Shing**
	Des Voeux Road Central Branch	**China Insurance Group Building, 141 Des Voeux Road Central**
	Des Voeux Road West Branch	**Western Centre, 40-50 Des Voeux Road West**
	Pacific Place Branch	**Shops 401 & 403, Pacific Place, 88 Queensway**
	Hopewell Centre Branch	**Shop No. 1-2, G/F, Hopewell Centre 183 Queen's Road East, Wanchai**
	Causeway Bay Branch	**G/F & 1/F Causeway Bay Plaza Two, 463-483 Lockhart Road**
	North Point Branch	**G/F Winner House, 306-316 King's Road, North Point**
Kowloon:	**Festival Walk Branch**	**Shops LG 1-37, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong**
	Kwun Tong Branch	**1 Yue Man Square, Kwun Tong**
	Mei Foo Sun Chuen Branch	**79 Broadway Stage 4, Mei Foo Sun Chuen**
	Mongkok Branch	**673 Nathan Road, Mongkok**
	Tai Yau Street Branch	**26-28, Tai Yau Street, San Po Kong**
	Telford Gardens Branch	**Shop Units P15-P16, Block G, Telford Plaza I, Kowloon Bay**
	Tsimshatsui Branch	**82-84 Nathan Road, Tsimshatsui**
	Union Park Centre Branch	**Shops 4-7, G/F, Union Park Centre, 771-775 Nathan Road**
	Waterloo Road Branch	**71 Waterloo Road, Homantin**
New Territories:	**City Landmark Branch**	**Shops 117-131, 1/F, City Landmark I, 68 Chung On Street, Tsuen Wan**
	Shatin City One Branch	**Shops 138-140, 1st Floor, City One Plaza Shatin**
	Yuen Long Branch	**G/F, HSBC Building Yuen Long, 150-160 Castle Peak Road, Yuen Long**
	Tai Po Branch	**54-62 Kwong Fuk Road, Tai Po**
	Tuen Mun Town Plaza Branch	**Shop 1, G/F, Tuen Mun Town Plaza, Phase II, Tuen Mun**

or any one of the following branches of **Standard Chartered Bank**:

Hong Kong Island:	**Des Voeux Road Branch**	**Standard Chartered Bank Building, 4-4a Des Voeux Road Central**
	The Landmark Branch	**The Landmark, 15 Queen's Road Central**
	CIG Building Branch	**Shop B, G/F, CIG Building, 141 Des Voeux Road Central**
	Leighton Centre Branch	**Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay**
	Taikoo Place Branch	**G/F, 969 King's Road, Quarry Bay**
	Hennessy Road Branch	**399 Hennessy Road, Wanchai**
	Exchange Square Branch	**Shops 301-302, 3/F, One Exchange Square, 8 Connaught Place**
Kowloon:	**Mongkok Bank Centre Branch**	**Bank Centre, 630-636 Nathan Road, Mongkok**
	Cheung Sha Wan Branch	**828 Cheung Sha Wan Road, Cheung Sha Wan**
	Kwun Tong Branch	**88-90 Fu Yan Street, Kwun Tong**
	Tsimshatsui Branch	**10 Granville Road, Tsimshatsui**
	Yau Ma Tei Branch	**546-550 Nathan Road, Yau Ma Tei**
	San Po Kong Branch	**10-20 Ning Yuen Street, San Po Kong**
New Territories:	**Tsuen Wan Branch**	**Basement 1/F., Emperor Plaza, 263 Sha Tsui Road, Tsuen Wan**
	Shatin Centre Branch	**Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin**

or any one of the following branches of **Bank of China (Hong Kong) Limited:**

Hong Kong Island:	**Bank of China Tower Branch**	**3/F, 1 Garden Road, Central**
	Central District (Li Po Chun Chambers) Branch	**Li Po Chun Chambers, 189 Des Voeux Road Central**
	Wanchai Branch	**395 Hennessy Road, Wanchai**
	North Point Branch	**G/F, Roca Centre, 464 King's Road, North Point**
	Taikoo Shing (Hoi Sing Mansion) Branch	**Shop G1006, Hoi Sing Mansion, Taikoo Shing**
Kowloon:	**Tsimshatsui (Houston Centre) Branch**	**G/F, Houston Centre, 63 Mody Road, Tsimshatsui**
	Yau Ma Tei Branch	**471 Nathan Road, Yau Ma Tei**
	Hoi Yuen Road Branch	**55 Hoi Yuen Road, Kwun Tong**
New Territories:	**Castle Peak Road (Tsuen Wan) Branch**	**167 Castle Peak Road, Tsuen Wan**
	Lucky Plaza Branch	**G/F, Lucky Plaza, Wang Pok Street, Shatin**

Copies of this prospectus, together with the **YELLOW** application forms, may be obtained from:

(1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong; or

(3) your broker may have the application forms available.

An ESP can collect ESP Application Forms from The Hongkong and Shanghai Banking Corporation Limited at the following branch between 9:00 a.m. and 12:00 noon on Thursday, 4 July 2002 by prior arrangement with Salomon Smith Barney:

Hong Kong Main Branch
Correspondence
Basement Level 1
1 Queen's Road Central
Hong Kong

MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR PUBLIC OFFER SHARES

(a) WHITE or YELLOW application forms

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 9 July 2002, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed application form, with one cheque or one banker's cashier order attached, should be deposited in any of the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited listed above at the following times:

Thursday, 4 July 2002 — 9:00 a.m. to 4:00 p.m.
Friday, 5 July 2002 — 9:00 a.m. to 4:00 p.m.
Saturday, 6 July 2002 — 9:00 a.m. to 12:00 noon
Monday, 8 July 2002 — 9:00 a.m. to 4:00 p.m.
Tuesday, 9 July 2002 — 9:00 a.m. to 12:00 noon

(b) Electronic application instructions to HKSCC via CCASS

CCASS Participants should input electronic application instructions at the following times:

Thursday, 4 July 2002 — 9:00 a.m. to 7:00 p.m.
Friday, 5 July 2002 — 9:00 a.m. to 7:00 p.m.
Saturday, 6 July 2002 — 9:00 a.m. to 3:00 p.m.
Monday, 8 July 2002 — 9:00 a.m. to 7:00 p.m.
Tuesday, 9 July 2002 — 9:00 a.m. to 12:00 noon

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Tuesday, 9 July 2002.

(c) Application instructions to an ESP

An investor can instruct an ESP to apply for Public Offer Shares. An ESP may provide such services at any time from 9:00 a.m. on Thursday, 4 July 2002 to 12:00 noon on Tuesday, 9 July 2002.

(d) Application lists

The application lists will be open **from 11:45 a.m. to 12:00 noon on Tuesday, 9 July 2002**. The application for the Public Offer Shares will not be processed and no allotment of any such Public Offer Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not be open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 9 July 2002. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

For the purposes of this section, ***business day*** *means a day that is not a Saturday, Sunday or public holiday in Hong Kong.*

HOW TO COMPLETE THE WHITE AND YELLOW APPLICATION FORMS

There are detailed instructions on each application form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicant(s)) at your own risk at the address stated on the application form.

If your application is made through a duly authorised attorney, Salomon Smith Barney, in consultation with the Company, or the agents of the Company may accept your application at its discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** application forms to be valid:

(1) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

   (a) the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and

   (b) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(2) **If the application is made by an individual CCASS Investor Participant:**

   (a) the application form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and

   (b) the CCASS Investor Participant must insert its participant I.D. and authorised signatory(ies) of your stock account must be inserted in the appropriate box in the application form.

(3) **If the application is made by a joint individual CCASS Investor Participant:**

   (a) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and

   (b) the participant I.D. must be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the application form.

(4) **If the application is made by a corporate CCASS Investor Participant:**

(a) the application form must contain the CCASS Investor Participant's company name and the Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) endorsed by its authorised signatories must be inserted in the appropriate box in the application form.

(5) Signature(s), number of signatories and form of chop, where appropriate in each **YELLOW** application form, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

(6) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

HOW TO APPLY BY GIVING ELECTRONIC INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or the CCASS internet system at *https://ip.ccass.com* (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you come to:

Customer Service Centre of HKSCC
at Upper Ground Floor, V-Heun Building
128-140 Queen's Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and its registrars.

Time for Inputting Electronic Application Instructions via CCASS

CCASS Participants can input electronic application instructions at the following times:

Thursday, 4 July 2002 — 9:00 a.m. to 7:00 p.m.
Friday, 5 July 2002 — 9:00 a.m. to 7:00 p.m.
Saturday, 6 July 2002 — 9:00 a.m. to 3:00 p.m.
Monday, 8 July 2002 — 9:00 a.m. to 7:00 p.m.
Tuesday, 9 July 2002 — 9:00 a.m. to 12:00 noon

Effect of Bad Weather on the Last Subscription Date

The latest time for inputting your electronic application instructions is **12:00 noon on Tuesday, 9 July 2002, the last subscription date**. If a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on the last subscription date, the last subscription date will be postponed to the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Minimum Subscription Amount and Permitted Multiples

You may give electronic application instructions in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table on the application forms.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application. Please refer to the paragraph headed "How many applications you may make" in the section headed "Terms and Conditions of the Public Offer" for further details.

Allocation of Public Offer Shares

For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

Personal Data

The section of the application form headed "Personal Data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Salomon Smith Barney and the Company take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS internet system, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or CCASS internet system to submit electronic application instructions, they should either (i) submit the white or yellow application form; or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Tuesday, 9 July 2002.

HOW TO APPLY BY USING AN ESP

(a) You may apply by instructing an ESP to act as your agent to apply for Public Offer Shares on your behalf. An ESP is either a registered dealer or an exempt dealer as defined under the Securities Ordinance or a recognised clearing house as defined in the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong). A list of the names of the ESPs who may provide services as an ESP in relation to the Public Offer released by the Securities and Futures Commission may be obtained on the website of the Securities and Futures Commission. **Applicants are asked to consider carefully in choosing an ESP since an ESP will be acting for you as your agent to apply for Public Offer Shares on your behalf and may be collecting and handling application monies from you and other applicants using this method. Accordingly, applicants using an ESP to apply for Public Offer Shares on their behalf do so at their own risk.**

(b) When you apply for Public Offer Shares using an ESP, your ESP may have several ways for you to give instructions, such as by telephone or via the Internet, and may make available a number of ways for you to pay for the number of Public Offer Shares you applied for, such as on-line debit of bank accounts, by debiting money from any securities account you may have with your ESP or by cheque or banker's cashier order.

(c) In addition to the terms and conditions set out in this prospectus, your ESP may impose fees and other terms and conditions on you. Once your ESP has collected application details and, where applicable, application monies from you and its other underlying applicants, it will then apply as your agent on your behalf using an ESP Application Form. Please consult your ESP for further details.

(d) You may submit your application details to any ESP which may provide such services at any time between 9:00 a.m. on Thursday, 4 July 2002 and 12:00 noon on Tuesday, 9 July 2002.

(e) In choosing to apply for the Public Offer Shares using an ESP, you should be aware of the following:

- You can elect how you wish to receive your allocations of Public Offer Shares, if any. You may be able to elect for your share certificates to be: (i) issued in your own name; or (ii) issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account of the ESP who has applied for the Public Offer Shares on your behalf.
- In relation to an ESP using the Internet to collect applications, the Securities and Futures Commission has published "Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering" in relation to the collection by ESPs of application details and application monies from applicants. In relation to this, ESPs are required to have regard to the Securities and Futures Commission's "Guidance Note on Internet Regulation". Whilst these guidelines do not have the force of law, any ESPs who do not comply with the guidelines may be in breach of relevant laws or regulations.
- Websites of ESPs are provided by the relevant ESPs, and not by the Company, Salomon Smith Barney or any other parties involved in the Share Offer and are not otherwise authorised by any of them.

(f) You may apply for a minimum of 2,000 Public Offer Shares if you use an ESP to apply for the Public Offer Shares. Each application instruction to an ESP for more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the application forms.

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, all your applications will be rejected. See the paragraph headed "How Many Applications You May Make" under "Terms and Conditions of the Public Offer".

(h) In relation to applying through an ESP, the arrangements for the posting of share certificates and refund of application monies for applying for Public Offer Shares are the same as for applicants applying for Offer Shares using a **WHITE** application form or a **YELLOW** application form, as appropriate. See the paragraphs headed "If your application for the Public Offer Shares is successful (in whole or in part)" and "Refund of your money" under "Terms and Conditions of the Public Offer".

Warning

ESPs are agents of applicants and not agents of the Company, Salomon Smith Barney or any parties involved in the Share Offer. There is no assurance that using an ESP to apply for Public Offer Shares on your behalf will result in a valid application being submitted on your behalf. Investors are urged to carefully evaluate the services offered by ESPs. For further details, see the section headed "Risk Factors".

Investors applying for Public Offer Shares on-line through websites operated by ESPs should also note that the risks associated with conducting transactions through the Internet are to be borne by the users of these websites. Such risks include, for example: (i) interruption, transmission blackout or delayed transmission due to Internet traffic; (ii) incorrect data transmission due to the public nature of the Internet; (iii) information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that there may be damage caused to the computer software or hardware of users or visitors to ESPs' websites caused by virus transmission from, or technical defects of, these websites. None of the Company, Salomon Smith Barney or other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers shall be liable for any losses suffered or incurred as a result of use of these websites or reliance on any information downloaded from these websites (other than this prospectus for which the Directors accept responsibility as provided herein). Applicants are advised not to wait until the last minute to instruct their ESPs due to such risks.

HOW TO APPLY IF YOU ARE AN ESP

(a) Consolidate share applications received from individual applicants and, if applicable, application monies from individual applicants and submit a bulk application as agent on behalf of such underlying applicants using the ESP Application Form which is available for collection from The Hongkong and Shanghai Banking Corporation Limited (Hong Kong Main Branch), Correspondence, Basement Level 1, 1 Queen's Road Central, Hong Kong. Each application for Public Offer Shares for the benefit of an underlying applicant must be in one of the numbers set out in the table in the ESP Application Form. Applications for any other number of Public Offer Shares will be rejected.

(b) A completed application by an ESP may be submitted in one of the following two ways:

(i) an ESP may submit a final application ("Final ESP Application") by 1:00 p.m. on Tuesday, 9 July 2002 which must:

- be set out in the format specified by the Federation of Share Registrars Limited in compliance with the "Operational Procedures for eIPO Applications Submitted via Banks/Stockbrokers" published by the Federation of Share Registrars Limited;
- include a completed ESP Application Form;
- include a completed "eIPO Applications Submission Form" as provided by the Federation of Share Registrars Limited indicating the electronic media used for transmitting application details of the underlying applicants;

- include a data file in read-only CD-ROM format or transmitted via the Securities and Derivatives Network ("SD Net"), and, in the case of a read-only CD-ROM being used for transmitting details of the underlying applicants, the CD-ROM must be sealed in an envelope bearing the ESP's company chop and signature of an authorised person across the seal;
- include two copies of a summary of eIPO applications in the format specified by the Federation of Share Registrars Limited; and
- include payment in the forms specified in sub-paragraph (d) below (together with a multi-cheques list in the form specified by the Federation of Share Registrars Limited, if applicable); or

(ii) an ESP may submit a preliminary application ("Preliminary ESP Application") by 1:00 p.m. on Tuesday, 9 July 2002 provided that it submits the Final ESP Application in the manner set out in sub-paragraph (b)(i) above by 3:00 p.m. on Tuesday, 9 July 2002. The Preliminary ESP Application must:

- be set out in the format specified by the Federation of Share Registrars Limited in compliance with the "Operational Procedures for eIPO Applications Submitted via Banks/Stockbrokers" published by the Federation of Share Registrars Limited;
- include a data file in read-only CD-ROM format or transmitted via the SD Net, and, in the case of a read-only CD-ROM being used for transmitting details of the underlying applicants, the CD-ROM must be sealed in an envelope bearing the ESP's company chop and signature of an authorised person across the seal;
- include a completed "eIPO Applications Submission Form" as provided by the Federation of Share Registrars Limited indicating the electronic media used for transmitting application details of the underlying applicants; and
- include two copies of a summary of eIPO applications in the format specified by the Federation of Share Registrars Limited.

If an ESP chooses to submit the application details of underlying applicants via the SD Net, it must ensure that the transmission of such data files is completed at or before the time when the corresponding Preliminary ESP Application or Final ESP Application is submitted.

An ESP can submit more than one Final ESP Application to apply for Public Offer Shares on behalf of underlying applicants, although multiple applications on behalf of the same underlying applicants will be rejected.

(c) The Preliminary ESP Application and the Final ESP Application may be lodged, in an unsealed envelope bearing the company chop of the relevant ESP, at a special counter at the following receiving bank branch:

The Hongkong and Shanghai Banking Corporation Limited
(Hong Kong Main Branch)
Correspondence, Basement Level 1,
1 Queen's Road Central, Hong Kong

(d) Application monies received from individual applicants may be submitted on behalf of the underlying applicants in the form of a single cheque or a banker's cashier order showing the name of the ESP or its nominee and made payable to "**HSBC Nominees (Hong Kong) Limited — CKLS Public Offer**".

(e) In submitting a completed ESP Application Form to apply for Public Offer Shares on behalf of underlying applicants, each ESP confirms that it has complied with (if applicable) the "Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering" issued by the Securities and Futures Commission, as amended from time to time, and all applicable laws and regulations (whether statutory or otherwise), and that it agrees to be bound by the terms and conditions and application procedures set out in this prospectus and the ESP Application Form. Further details on the terms and conditions applicable to an ESP are set out in the section "Terms and Conditions of the Public Offer".

RESULTS OF ALLOCATIONS

The results of allocations of the Offer Shares under the Public Offer, including applications made under **WHITE**, **YELLOW** and ESP application forms and by giving electronic application instructions to HKSCC via CCASS, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Offer Shares successfully applied for, will be published on the GEM Web-site and in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Monday, 15 July 2002.

II. HOW TO APPLY FOR RESERVED SHARES

Qualifying Shareholders may only make an application for Reserved Shares under the Preferential Offer using a **BLUE** application form.

A **BLUE** application form will be despatched to you by the Company. Using the **BLUE** application form, you may apply for a number of Reserved Shares less than or equal to the number specified on your individual **BLUE** application form on an assured basis. You may also apply for a number of Reserved Shares in excess of your Assured Entitlement specified on your individual **BLUE** application form.

DESPATCH OF BLUE APPLICATION FORMS

A **BLUE** application form is being despatched to you by the Company if you are a Qualifying Shareholder with an Assured Entitlement.

HOW TO COMPLETE THE BLUE APPLICATION FORMS

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected.

All Qualifying Shareholders who would like to apply for Reserved Shares must complete the **BLUE** application form. In the **BLUE** application form, the Qualifying Shareholders will be required to, inter alia, fill in the total number of Reserved Shares that they are making an application.

If your application is made through a duly authorised attorney, the Company and Salomon Smith Barney (on behalf of the Placing Underwriters) as its agent may accept it at their discretion and subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **BLUE** application form to be valid, the Qualifying Shareholders should complete the **BLUE** application form and then deposit the completed **BLUE** application form, with one cheque or one banker's cashier order as payment attached, in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank or Bank of China (Hong Kong) Limited in the sub-section headed "Where to Collect the **WHITE** and **YELLOW** Application Forms" before the latest time for lodgment of the **BLUE** application form as specified in the sub-section "Time for Applying for Reserved Shares".

If the application is accepted, the Reserved Shares will be issued and allotted in the name of the Qualifying Shareholder.

HOW MANY APPLICATIONS YOU MAY MAKE

Please refer to the sub-section "Terms and Conditions of the Public Offer — How Many Applications You May Make" for the situations where you may make more than one application for Offer Shares.

TIME FOR APPLYING FOR RESERVED SHARES

Completed **BLUE** application forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 9 July 2002, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of Application Lists" below.

Your completed application form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank or Bank of China (Hong Kong) Limited in the sub-section headed "Where to Collect the **WHITE** and **YELLOW** Application Forms" in this section, at the following times:

Thursday, 4 July 2002 — 9:00 a.m. to 4:00 p.m.
Friday, 5 July 2002 — 9:00 a.m. to 4:00 p.m.
Saturday, 6 July 2002 — 9:00 a.m. to 12:00 noon
Monday, 8 July 2002 — 9:00 a.m. to 4:00 p.m.
Tuesday, 9 July 2002 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 9 July 2002.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not be open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 9 July 2002. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

For the purposes of this section, ***business day*** *means a day that is not a Saturday, Sunday or public holiday in Hong Kong.*

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED RESERVED SHARES

Details of the circumstances which you will not be allotted Reserved Shares are set out in the notes contained in the application forms, and you should read them carefully. You should note in particular the following situations in which Reserved Shares will not be allotted to you:

- **Your application is revoked:**

  You cannot revoke your application before the end of the fifth day (excluding Saturdays, Sundays and public holidays in Hong Kong) after the time of the opening of the application lists on Tuesday, 9 July 2002, except that you may revoke your application earlier than that date if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. Your application will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. By completing an application form you agree that you cannot revoke your application before Tuesday, 16 July 2002. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Offer Shares to any person before Tuesday, 16 July 2002 except by means of one of the procedures referred to in this prospectus.

You may only revoke your application on or before Tuesday, 16 July 2002 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of the Company or its agent your application is rejected:**

  The Company and its agents have full discretion to reject or accept any application, or to accept only part of any application.

  The Company and the Underwriters in their capacity as the agents for the Company do not have to give any reason for any rejection or acceptance.

- **If you do not receive any allocation:**

  You will not receive any allocation if:

  - you make multiple applications or suspected multiple applications;
  - your application form is not filled in correctly;
  - your payment is not made correctly; or
  - you pay by cheque or banker's cashier order and the cheque or the banker's cashier order is dishonoured on its first presentation.

- **If your application is not accepted:**

  Your application will not be accepted if:

  - the Underwriting Agreement does not become unconditional; or
  - the Underwriting Agreement is terminated in accordance with its terms.

- **If the allotment of Reserved Shares is void:**

  Your allotment of Reserved Shares, if made, will be void if the GEM Listing Committee does not grant permission to list the Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the GEM Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

Qualifying Shareholders may, in addition to applying for Reserved Shares, also apply for Public Offer Shares.

REFUND OF YOUR MONEY

If you do not receive any Reserved Shares for any of the above reasons, the Company will refund your application monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto). No interest will be paid thereon. If your application is accepted only in part, the Company will refund the appropriate portion of your application monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto) without interest.

If the Offer Price (as finally determined) is less than the maximum price of HK$2.00 per Share paid on application, the surplus application monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto) will be refunded to you without interest.

PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indication of interest in the Placing, basis of allotment and results of applications of the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on Monday, 15 July 2002 on the GEM Web-site and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

IF YOUR APPLICATION FOR RESERVED SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

If you have applied for 1,000,000 Reserved Shares or above and have indicated on your application form that you will collect your share certificates and refund cheques (if any) in person, you may collect them in person from:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company on the GEM Web-site and in the newspapers as the date of despatch of share certificates and refund cheques. The date of despatch is expected to be on Monday, 15 July 2002.

Applicants being individuals who have applied for 1,000,000 Reserved Shares or above and have opted for personal collection must not authorise any other person to make their collection on their behalf. Applicants must show their identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect share certificates and/or refund cheques. Applicants being corporations who have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificates and/or refund cheque (if any), they will be sent to the address on your application form in the afternoon on the date of despatch, by ordinary post and at your own risk.

If you have applied for 1,000,000 Reserved Shares or above and have not indicated on your application form that you will collect your share certificates and refund cheque (if any) in person, or if you have applied for less than 1,000,000 Reserved Shares, then your share certificates and refund cheque (if any) will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk.

III. GENERAL

HOW MUCH TO PAY FOR THE OFFER SHARES

You must pay the maximum Offer Price of HK$2.00, together with brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.007% in full when you apply for the Shares. This means that for every board lot of 2,000 Shares, you will pay HK$4,040.48. The application forms have tables showing the exact amount payable for multiples of Shares applied for up to 500,000 Shares.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC (in the case of the transaction levy, collected on behalf of the SFC).

If the Offer Price as finally determined is less than the maximum Offer Price, appropriate refund payments (including brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to successful applicants without interest.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Tuesday, 16 July 2002. Shares will be traded on GEM in board lots of 2,000 each. The stock code of the Shares will be 8222.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the GEM as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the GEM or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

1. GENERAL

(a) If you apply for the Public Offer Shares in the Public Offer, you will be agreeing with the Company and Salomon Smith Barney (on behalf of the Public Offer Underwriters) as set out below.

(b) If you instruct an ESP to act as your agent to apply for Public Offer Shares on your behalf or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised the ESP or HKSCC Nominees (as the case may be) to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf an ESP and HKSCC Nominees are applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to ESPs or HKSCC; and references to "application forms" shall, if the context so permits, include references to the ESP Application Form by which your application is made, if applicable.

(d) Applicants should read carefully this prospectus, including other terms and conditions of the Public Offer, and the terms and conditions set out in the relevant application form or imposed by the relevant ESP or HKSCC (as the case may be) prior to making an application.

(e) Employees of the Group or associates of such employees or their associates may not apply for Public Offer Shares.

2. OFFER TO PURCHASE THE PUBLIC OFFER SHARES

(a) You offer to purchase from the Company at the Offer Price the number of the Public Offer Shares indicated in your application form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant application form.

(b) A refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto), is expected to be sent to you at your own risk to the address stated on your application form or your instructions to your ESP on or before Monday, 15 July 2002.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the paragraphs headed "If your application for the Public Offer Shares is successful (in whole or in part)" and "Refund of your money" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applications for Public Offer Shares from employees of the Group will be rejected.

(e) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Public Offer Shares will be allocated after the application lists close. The Company expects to announce the final number of Public Offer Shares, the level of applications under the Public Offer, the basis of allocations of the Public Offer Shares and the Hong Kong identity card/passport/business registration numbers of successful applicants under the Public Offer on the GEM Web-site and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Monday, 15 July 2002.

(b) The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(c) If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

(d) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance. This does not affect any other right you may have.

4. HOW MANY APPLICATIONS YOU MAY MAKE

There are only two situations where you may make more than one application for Offer Shares:

- If you are a nominee, you may make an application as a nominee by: (i) using an ESP as your agent; or (ii) giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Participant); or (iii) using a **WHITE** or **YELLOW** application form, and lodge more than one application in your own name on behalf of different owners. In the box on the application form marked "For nominees" you must include:

  — an account number; or

  — some other identification code

  for each beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

- If you are a Qualifying Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** application form, as beneficial owner, you may also apply for Public Offer Shares: (i) on a **WHITE** or **YELLOW** application form; or (ii) by using an ESP as your agent; or (iii) **electronically** through CCASS (if you are a CCASS Investor Participant or act through a CCASS Broker or Custodian Participant). However, in respect of any application for Public Offer Shares using the above mentioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offer as described in the section headed "Structure of the Share Offer — Preference to Shareholders of Cheung Kong" in this prospectus.

Otherwise, multiple applications are not allowed.

Multiple applications or suspected multiple applications will be rejected. Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** application forms, by using an ESP as your agent or by giving **electronic** application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant); or
- apply on a **WHITE** or **YELLOW** application form, by using an ESP as your agent or by giving **electronic** application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant) for more than the total number of the Public Offer Shares initially made available for subscription by the public in Hong Kong; or
- receive any Shares under the Placing (other than Reserved Shares); or
- have indicated an interest for any Shares under the Placing (other than Reserved Shares).

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on electronic application instructions or your ESP).

If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

An unlisted company *means a company with no equity securities listed on the Stock Exchange.*

Statutory control *means you:*

- *control the composition of the board of directors of that company; or*
- *control more than half of the voting power of that company; or*
- *hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

5. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorise** the Company and Salomon Smith Barney (or their respective agents or nominees) as agents of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Public Offer Shares allotted to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association of the Company and otherwise to give effect to the arrangements described in this prospectus and the relevant application form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association of the Company;

- **represent**, **warrant** and **undertake** that you are not within the United States (within the meaning of Regulation S under the US Securities Act);
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, Salomon Smith Barney, the Underwriters and other parties involved in the Share Offer nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by using an ESP as your agent to apply or by giving electronic application instructions to HKSCC via CCASS;
- (if an application has been made by you for Public Offer Shares) **represent**, **warrant** and **undertake** that you are not an employee of the Group or an associate of such employee;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an ESP or otherwise an agent for another person) **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by using an ESP as that other person's agent to apply or by giving electronic application instructions to HKSCC via CCASS, and that you are duly authorised to sign the application form as that other person's agent (other than applications for Reserved Shares using a **BLUE** application form);
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the Placing Shares in the Placing, nor otherwise participated in the Placing (except for applicants for Reserved Shares);
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, Salomon Smith Barney, the Underwriters and their respective agents any information about you which they require or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk to the address stated on your application form or the address submitted by your ESP (except that if you have applied for 1,000,000 Public Offer Shares or more and

have indicated in your application form or the application submitted by your ESP that you will collect your share certificates and refund cheques (if any) in person, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Monday, 15 July 2002 from Computershare Hong Kong Investor Services Limited);

- **understand** that these declarations and representations will be relied upon by the Company and Salomon Smith Barney in deciding whether or not to allocate any Public Offer Shares in response to your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, Salomon Smith Barney, the Underwriters and the other parties involved in the Share Offer nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

(b) If you apply for the Public Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to in (a) above you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
- **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (2) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Public Offer Shares at your own risk to the address on the application form by ordinary post or to make available the same for your collection;
- **agree** that each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares allocated to you and issued in the name of HKSCC Nominees;
- **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application form;
- **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) If you apply for the Public Offer Shares using an ESP, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- **instruct** and **authorise** your ESP to apply for the number of Public Offer Shares as instructed by you on the terms and conditions contained in this prospectus and subject to the Articles of Association of the Company as agent on your behalf;
- **agree** that the Public Offer Shares to be allocated shall be: (i) registered in your name and that share certificates be issued in your name; or (ii) registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account of the ESP who has applied for the Public Offer Shares on your behalf;

- **undertake** and **agree** to accept the Public Offer Shares in respect of which you have applied for through your ESP or any lesser number;
- **warrant** that you have validly and irrevocably conferred on your ESP all necessary power and authority to apply for Public Offer Shares; however, you may revoke the instructions before the fifth day (excluding Saturdays, Sundays and public holdings in Hong Kong) after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- (if you are submitting your application details to the ESP through the Internet) **confirm** that you are aware of the risks associated with conducting transactions over the Internet including: (i) interruption, transmission blackout or delayed transmission due to Internet traffic; (ii) incorrect data transmission due to the public nature of the Internet; (iii) information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that there may be damage caused to the computer software or hardware of users or visitors to ESPs' websites caused by virus transmission from, or technical defects of, these websites;
- **agree** that you will not copy, reproduce, republish, frame, upload to a third party, transmit or distribute any part of or the whole of the electronic copy of this prospectus;
- **agree** that no representations, warranties, guarantees or undertakings (whether express or implied) are made or given by the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers in any respect in relation to:
  - information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in, and the use of, any websites of any ESPs; and
  - the receipt and processing of application details provided by applicants using any ESP or the collection, storage and disclosure of personal data provided by the underlying applicants;
- **agree** that to the extent permitted by law, the Company, Salomon Smith Barney and any other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers accept no liabilities for any claims, demands, losses and damages (whether direct or indirect) of any kind, including but not limited to contractual, tortious, statutory, strict, civil and criminal liabilities and liabilities under any theories of liabilities, howsoever arising from, or in connection with, the use of or reliance on the information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in any websites of any ESPs;
- **agree** that any websites operated by ESPs are provided by the respective ESPs independently of the Company, Salomon Smith Barney and any other parties involved in the Share Offer. None of the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers have authorised:
  - any ESP or any other person to add to, amend, delete or in any way change the content or form of, or the information contained in, this prospectus; or
  - any ESP or any other person to make any statement or recommendation or to provide any additional information or comment concerning the matters and information contained in this prospectus;
- **agree** that unless otherwise specified in this prospectus, nothing arising from, or connected with, the use of any websites of any ESPs will form the basis of any relationship (including, but not limited to, a contractual or fiduciary relationship) with

any of the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers. Nothing contained in any websites of any ESPs shall be read or interpreted as to contradict the terms and conditions set out in this prospectus;

- **agree** that no offer or invitation to acquire shares in the Company is being made by or in connection with information or data provided on any websites of any ESPs not contained in this prospectus. Any such offer or invitations is made solely by means of the prospectus and any acquisition of the Public Offer Shares should be made solely on the basis of the information contained in this prospectus.

(d) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:

- **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;
- **instruct** and **authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage, the Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$2.00, refund the appropriate portion of the application money by crediting your designated bank account;
- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf the following:
    - **agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;
    - **undertake** and **agree** to accept the Public Offer Shares in respect of which you have given electronic application instructions or any lesser number;
    - (if the electronic application instructions are given for your own benefit) **declare** that only one set of electronic application instructions has been given for your benefit;
    - (if you are an agent for another person) **declare** that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
    - **understand** that the above declaration will be relied upon by the Company and Salomon Smith Barney in deciding whether or not to make any allocation of the Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;
    - **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allocated in respect of your electronic application instructions and to send share certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- **agree** to disclose your personal data to Salomon Smith Barney, the Company, the Underwriters, the share registrars, receiving bankers, agents and advisers and any information about you which they require;
- **agree** that you cannot revoke electronic application instructions before Tuesday, 16 July 2002, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Monday, 15 July 2002, except by means of one of the procedures referred to in this prospectus. However, you may revoke the instructions before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by the Company; and
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares.

(e) In submitting a completed ESP Application Form, an ESP:

- **confirms** that it has complied with all applicable laws and regulations in relation to the provision of ESP services in relation to the Public Offer and that it has complied with all the provisions contained in: (i) the Guidance Note on Internet Regulation; and (ii) the Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering issued by the Securities and Futures Commission (where applicable);
- **confirms** that it has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that it is applying for the Public Offer Shares as agent on behalf of the underlying applicants;
- **warrants** that the application is the only application which will be made for the benefit of the underlying applicant;
- (in relation to those ESPs who provided on-line application facilities via their websites) **confirms** and **agrees** that:
  - it is either a registered dealer or an exempt dealer as defined under the Securities Ordinance or a recognised clearing house as defined in the Securities and Futures

(Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) and named in the list of the names of the ESPs which may provide services as an ESP in relation to the Public Offer released by the Securities and Futures Commission, a copy of which may be obtained on the website of the Securities and Futures Commission;

- it cannot accept instructions for application of the Public Offer Shares after 12:00 noon on Tuesday, 9 July 2002;
- the website through which it is collecting share applications is provided independently of the Company, Salomon Smith Barney, other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers;
- the prospectus, if available, will be displayed on its website or otherwise made available to the public no earlier than 9:00 a.m. on Thursday, 4 July 2002 and will be withdrawn from its website no later than 12:00 noon on Tuesday, 9 July 2002;
- the Company, Salomon Smith Barney, other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers take no responsibility as to the content (other than this prospectus for which the Directors accept responsibility as provided herein) or the operation of its website;
- none of the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers has authorised it or any other person to add to, amend, delete, or in any way change the content or form of, or the information contained in, this prospectus, or to make any statement or recommendation or to provide any additional information or comment concerning the matters and information contained in this prospectus;
- each of the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, partners, employees, agents, advisers expressly disclaims any responsibility or liability for any claims, demands, losses and damages (whether direct or indirect) of any kind whatsoever arising out of, or in connection with any addition, amendment, deletion or other change to this prospectus and any statement, recommendation, comment or information not contained in this prospectus;
- no guarantees, undertakings, warranties or representations (whether express or implied) are made or given by the Company, Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers in any respect in relation to the information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in, and the use of, its website;
- to the extent permitted by law, the Company, Salomon Smith Barney, other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers accept no liability for any claims, demands, losses and damages (whether direct or indirect) of any kind, including, but not limited to, contractual, tortious, statutory, strict, civil and criminal liabilities and liabilities under any theories of liabilities, howsoever arising from, or in connection with, the use of, or reliance on, the information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in its website;
- unless otherwise specified in this prospectus, nothing arising from, or connected with, the use of its website will form the basis of any relationship (including, but not limited to, a contractual or fiduciary relationship) with any of the Company,

Salomon Smith Barney, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers and that nothing contained in its website shall be read or interpreted as to contradict the above terms and conditions;

- no offer or invitation to acquire shares in the Company is being made by or in connection with information or data provided on any of the websites that ESP operates and which is not contained in this prospectus; and
- it will not copy, reproduce, republish, frame, upload to a third party, transmit or distribute any part of or the whole of the electronic copy of this prospectus;

- **undertakes** to sign all documents and do all things necessary to enable the underlying applicants on whose behalf it is applying for the Public Offer Shares to be registered as the holders of the Public Offer Shares allocated to them, and as required by the Articles of Association of the Company;
- **represents** and **warrants** that measures reasonably designed to guard against sales to persons within the United States (within the meaning of Regulation S under the US Securities Act) have been put in place in respect of the ESP services it is offering in relation to the Public Offer;
- **represents** and **warrants** that measures reasonably designed to guard against sales to employees of the Group or associates of such employees have been put in place in respect of the ESP services it is offering in relation to the Public Offer;
- **confirms** that it has handled the personal information obtained from the underlying applicants in compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong);
- **agrees** to disclose to the Company, Salomon Smith Barney, the Underwriters and their respective agents any information about it or the underlying applicants for whom it is applying for the Public Offer Shares as agent which they require;
- **warrants** that it has all the necessary power and authority to make the application for the Public Offer Shares on behalf of the underlying applicants; and
- **understands** that the above declarations and representations will be relied upon by the Company and Salomon Smith Barney in deciding whether or not to allocate any Public Offer Shares in response to your application.

(f) The Company, Salomon Smith Barney, the Underwriters, other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

(g) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Details of the circumstances which you will not be allotted Public Offer Shares are set out in the notes contained in the application forms, and you should read them carefully. You should note the following situations in which Public Offer Shares will not be allotted to you:

- **Your application is revoked:**

You cannot revoke your application before the end of the fifth day (excluding Saturdays, Sundays and public holidays in Hong Kong) after the time of the opening of the application lists on

Tuesday, 9 July 2002, except that you may revoke your application earlier than that date if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. Your application will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. By completing an application form you agree that you cannot revoke your application before Tuesday, 16 July 2002. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Offer Shares to any person before Tuesday, 16 July 2002 except by means of one of the procedures referred to in this prospectus.

You may only revoke your application on or before Tuesday, 16 July 2002 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

For the avoidance of doubt, the Company and all other parties involved in the preparation of the prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

If your application has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of the Company or its agent your application is rejected:**

The Company and its agents have full discretion to reject or accept any application, or to accept only part of any application.

The Company and the Underwriters in their capacity as the agents for the Company do not have to give any reason for any rejection or acceptance.

- **If you do not receive any allocation:**

You will not receive any allocation if:

- you make multiple applications or suspected multiple applications;
- your application form is not completed correctly;
- you or the person for whose benefits you have applied have been allotted Placing Shares (except for the Reserved Shares);
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or the banker's cashier order is dishonoured on its first presentation.

- **If your application or HKSCC Nominee's application is not accepted:**

  Your application or HKSCC Nominee's application or ESP's application will not be accepted if:

  - the Underwriting Agreement does not become unconditional; or
  - the Underwriting Agreement is terminated in accordance with its terms.

- **If the allotment of Public Offer Shares is void:**

  Your allotment of Public Offer Shares and the allotment to HKSCC Nominees, if made, will be void if the GEM Listing Committee does not grant permission to list the Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the GEM Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

You should also note that you may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both (except for Qualifying Shareholders who, in addition to applying for Reserved Shares, are also applying for Public Offer Shares and/or Placing Shares).

You should also note that if you are using an ESP as your agent to apply for Public Offer Shares on your behalf or if you are giving electronic application instructions to HKSCC via CCASS to apply for Public Offer Shares on your behalf, you will also not be allocated any Public Offer Shares if your ESP's or HKSCC Nominee's application is not accepted.

7. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

The Company will not issue temporary documents of title. No receipt will be issued for application money paid.

(a) If you are applying using a WHITE application form or if you are using an ESP as your agent to apply and you elect to receive any share certificate(s) in your name:

If you have applied for 1,000,000 Public Offer Shares or above on a **WHITE** application form or ESP Application Form and have indicated on your application form that you will collect your share certificates and refund cheque (if any) in person and have provided all information required by your application form, you may collect them in person from:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company on the GEM Web-site and in the newspapers as the date of despatch of share certificates and refund cheques. The date of despatch is expected to be on Monday, 15 July 2002.

Applicants being individuals who have applied for 1,000,000 Public Offer Shares or above and have opted for personal collection must not authorise any other person to make their collection on their behalf. Applicants must show their identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect share certificates and/or refund cheques. Applicants being corporations and have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificates and/or refund cheque (if any), they will be sent to the address on your **WHITE** application form or as provided by your ESP in the afternoon on the date of despatch, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your share certificates and refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your share certificates and refund cheque (if any) will be sent to the address on your **WHITE** application form or in the application submitted by your ESP on the date of despatch, by ordinary post and at your own risk.

Share certificates will only become valid certificates of title provided that the Public Offer has become unconditional and not having been terminated in accordance with its terms.

(b) If (i) you are applying on a YELLOW application form or (ii) you are using an ESP as your agent to apply or (iii) you are giving electronic application instructions to HKSCC via CCASS, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:

Your share certificate(s) will be issued (subject to them becoming valid certificates of title provided that the Hong Kong Public Offering has become unconditional and not having been terminated) in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your **YELLOW** application form or through your ESP or CCASS electronically, as the case may be), at the close of business on Monday, 15 July 2002, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(i) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** application form:

- for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

(ii) If you are applying as a CCASS Investor Participant on a **YELLOW** application form:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Share Offer on the GEM Web-site and in the newspapers on Monday, 15 July 2002. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 July 2002 or such other date as shall be determined by HKSCC or HKSCC Nominees. On Tuesday, 16 July 2002, you can check your new account balance via the CCASS Phone System and CCASS internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you will collect your refund cheque (if any) in person, the procedures set out under (a) above will apply in relation to the refund cheque.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your application form or as provided by your ESP on the date of despatch, which is expected to be on Monday, 15 July 2002, by ordinary post and at your own risk.

(iii) If you have given electronic application instructions to HKSCC via CCASS:

- The Company will publish **the application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer, on the GEM Web-site and in the newspapers on Monday, 15 July 2002. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 July 2002 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

If you are applying as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS internet system on Tuesday, 16 July 2002. On Tuesday, 16 July 2002 (the next day following the credit of the Public Offer Shares to your stock account), HKSCC will mail to you an activity statement showing the number of Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

8. REFUND OF YOUR MONEY

If you do not receive any Public Offer Shares for any of the above reasons in the sub-section headed "Circumstances in which you will not be allotted Public Offer Shares", the Company will refund your application monies (including the related brokerage, Stock Exchange trading fee and SFC transaction levy attributable thereto). No interest will be paid thereon (all interest will be retained for the benefit of the Company). If your application is accepted only in part, the Company will refund the appropriate portion of your application monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto) without interest.

If the Offer Price (as finally determined) is less than the maximum Offer Price of HK$2.00 per Share paid on application, the surplus subscription monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable thereto) will be refunded to you without interest.

If you are a CCASS Participant subscribing for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS, all refunds will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 15 July 2002.

If you apply using an ESP, all refunds will be made to the underlying applicants as if they applied for the Public Offer Shares using a **WHITE** or **YELLOW** application form, depending on your instructions to your ESP.

9. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the general level of indication of interest in the Placing, basis of allotment and results of applications of the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on Monday, 15 July 2002 on the GEM Web-site and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

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

4 July 2002

The Directors
CK Life Sciences Int'l., (Holdings) Inc.
Salomon Smith Barney Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information regarding CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and those companies (hereinafter collectively referred to as the "Group") which, upon completion of the proposed corporate reorganisation have become subsidiaries of the Company, for each of the two years ended 31 December 2000, 2001 and the three months ended 31 March 2002. (the "Relevant Periods"). The corporate reorganisation is fully explained in the paragraph headed "Reorganisation" in Appendix IV to the Prospectus (the "Group Reorganisation").

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company had not carried on any business since the date of its incorporation until March 2002 when it conditionally agreed to acquire the Company's investments in the subsidiaries listed below:

Name	Place of incorporation	Date of incorporation	Class of shares held	Issued and fully paid share capital	Principal activities
Biocycle Resources Limited	British Virgin Islands ("BVI")	22 September 2000	Ordinary	US$1	Trading of biotechnology products
Bioedit Development Limited	BVI	28 February 2001	Ordinary	US$1	Trading of biotechnology products
Biotech Strategic Holdings Limited	BVI	7 December 1999	Ordinary	US$1	Investment holding
Bongo Investment Limited	BVI	25 May 2000	Ordinary	US$1	Investment holding
CK Life Sciences Int'l., Inc.	BVI	20 December 1999	Ordinary	US$1	Commercialisation of biotechnology products
CK Life Sciences Limited	Hong Kong	25 August 1999	Ordinary	HK$10,000,000	Applied research, production, product development and commercialisation
CK Life Sciences Development Limited	Hong Kong	6 February 2002	Ordinary	HK$2	Investment holding
CK Life Sciences Products Limited	Hong Kong	6 February 2002	Ordinary	HK$2	Investment holding

Name	Place of incorporation	Date of incorporation	Class of shares held	Issued and fully paid share capital	Principal activities
CK Biotech Laboratory Limited	Hong Kong	15 November 1999	Ordinary	HK$2	Research and development
Far East Biotech Int'l Inc.	Mauritius	11 July 2000	Ordinary	US$2	Investment holding
Praying Mantis Limited	BVI	8 December 1999	Ordinary	US$1	Investment holding
Pyrope Assets Limited	BVI	12 August 1999	Ordinary	US$1	Investment holding
Rado Resources Limited	BVI	29 September 2000	Ordinary	US$1	Investment holding
Ultra Biotech Limited	Isle of Man	21 August 2000	Ordinary	£1	Ownership of patent/ trademarks
Unitech Worldwide Limited	BVI	1 August 2000	Ordinary	US$1	Investment holding

Other than Praying Mantis Limited, Rado Resources Limited, Pyrope Assets Limited and Biotech Strategic Holdings Limited, all subsidiaries are indirectly held by the Company.

We have audited the financial statements of CK Life Sciences Limited for each of the two years ended 31 December 2001. The financial statements of Far East Biotech Int'l Inc. for the period from 11 July 2000 to 31 December 2000 and for the year ended 31 December 2001 were audited by Servansingh Associates, Mauritius, certified public accountants registered in Mauritius, and the financial statements were prepared in accordance with the relevant accounting principles and regulations applicable to limited companies in the Mauritius. As a basis for forming an opinion on the financial information of the Group for the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of CK Life Sciences Limited for the three months ended 31 March 2002 and Far East Biotech Int'l Inc. for the period from 11 July 2000 to 31 December 2000, the year ended 31 December 2001 and the three-month period ended 31 March 2002.

No audited financial statements have been prepared for the Company and its subsidiaries, other than CK Life Sciences Limited and Far East Biotech Int'l Inc., for the aforementioned periods as the Company has not carried on any business, except for the transactions relating to the Group Reorganisation referred to herein and audited financial statements for the subsidiaries are not required due to the short period or their inactivity since incorporation or the absence of any requirement for an audit in the jurisdiction in which the subsidiaries are incorporated. We have, however, reviewed all material transactions of these companies for the Relevant Periods or since their dates of incorporation whichever period is shorter.

We have examined the audited financial statements or, where appropriate, management accounts of the companies comprising the Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The combined income statements and combined cash flow statements of the Group for the Relevant Periods and the combined balance sheets of the Group as at 31 December 2000, 31 December 2001 and 31 March 2002 (the "Financial Information") set out in this report have been prepared based on the audited financial statements and the management accounts where appropriate (the "Underlying Financial Statements") of the companies comprising the Group, on the basis set out in note 1 to the Financial Information below, after making such adjustments as we consider appropriate.

The Underlying Financial Statements are the responsibility of the directors of those companies who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the combined results and cash flows of the Group for the Relevant Periods and of the state of affairs of the Group as at 31 December 2000, 31 December 2001 and 31 March 2002.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

		Year ended 31 December		Three months ended 31 March
	Notes	2000	2001	2002
		HK$	HK$	HK$
Turnover	3	—	148,200	134,160
Cost of sales		—	(103,600)	(103,830)
Gross profit		—	44,600	30,330
Other revenue	4	2,596	14,185	3,682
Staff cost		(120,285,444)	(31,249,725)	(13,736,317)
Depreciation		(378,310)	(6,615,358)	(2,951,569)
Amortisation of intangible assets		—	(52,680)	(158,040)
Other operating expenses		(16,805,392)	(20,036,897)	(5,333,750)
Loss before taxation	5	(137,466,550)	(57,895,875)	(22,145,664)
Taxation	6	(24,127)	(38,350)	—
Loss for the year/period		(137,490,677)	(57,934,225)	(22,145,664)
Dividend	7	—	—	—
Loss per Share - basic	8	(2.7) cents	(1.1) cents	(0.4) cents

There were no recognised gains or losses other than the net loss for the year/period.

A. FINANCIAL INFORMATION – (CONTINUED)

COMBINED BALANCE SHEETS

	Notes	As at 31 December 2000	As at 31 December 2001	As at 31 March 2002
		HK$	HK$	HK$
Non-current assets				
Property, plant and equipment	10	175,437,695	196,895,462	209,342,131
Intangible assets	11	—	35,397,982	41,616,416
		175,437,695	232,293,444	250,958,547
Current assets				
Inventories	12	3,117,000	3,320,639	3,534,674
Trade and other receivables	13	7,372,104	3,634,657	5,552,517
Bank balances and cash		398,518	6,456,241	3,270,381
		10,887,622	13,411,537	12,357,572
Current liabilities				
Trade and other payables	14	(61,618,719)	(20,073,770)	(28,338,019)
Provision for taxation		(24,127)	(42,353)	(42,353)
		(61,642,846)	(20,116,123)	(28,380,372)
Net current liabilities		(50,755,224)	(6,704,586)	(16,022,800)
Total assets less current liabilities		124,682,471	225,588,858	234,935,747
Non-current liability				
Amount due to immediate holding company	15	(262,173,140)	(421,013,752)	(452,506,305)
Net liabilities		(137,490,669)	(195,424,894)	(217,570,558)
Capital and reserves				
Share capital	16	8	8	8
Accumulated losses	17	(137,490,677)	(195,424,902)	(217,570,566)
		(137,490,669)	(195,424,894)	(217,570,558)

A. FINANCIAL INFORMATION – (CONTINUED)

COMBINED CASH FLOW STATEMENTS

	Notes	Year ended 31 December 2000	Year ended 31 December 2001	Three months ended 31 March 2002
		HK$	HK$	HK$
Cash flows from operating activities				
Net cash used in operations	18	(109,177,349)	(72,096,790)	(22,363,759)
Hong Kong Profits Tax paid		—	(20,124)	—
Net cash used in operating activities		(109,177,349)	(72,116,914)	(22,363,759)
Cash flows from investing activities				
Purchase of property, plant and equipment		(152,599,877)	(52,576,530)	(7,245,770)
Development expenditure incurred		—	(24,656,941)	(4,763,045)
Patent cost incurred		—	(3,446,689)	(313,311)
Proceeds from disposal of equipment		—	—	3,790
Interest received		2,596	14,185	3,682
Net cash used in investing activities		(152,597,281)	(80,665,975)	(12,314,654)
Cash flows from financing activities	19			
Advance from immediate holding company		262,173,140	158,840,612	31,492,553
Proceeds from shares issued		8	—	—
Net cash from financing		262,173,148	158,840,612	31,492,553
Net increase/(decrease) in cash and cash equivalents		398,518	6,057,723	(3,185,860)
Cash and cash equivalents at beginning of the year/period		—	398,518	6,456,241
Cash and cash equivalents at end of the year/period		398,518	6,456,241	3,270,381
Analysis of the balances of cash and cash equivalents				
Bank balances and cash		398,518	6,456,241	3,270,381

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements and combined cash flow statements include the results and cash flows of the companies comprising the Group as if (a) the current group structure had been in existence throughout the Relevant Periods or since the date of incorporation, whichever is the shorter and (b) the assets and the business undertakings (the "Businesses") of Bio-World Holdings Limited and CK Life Sciences Laboratory Limited (collectively referred to as "Fellow Subsidiaries") had been transferred to CK Biotech Laboratory Limited ("CK Biotech Laboratory") since 1 January 2000 as disclosed in note 24(c). The combined balance sheets of the Group as at 31 December 2000, 31 December 2001 and 31 March 2002 have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence and the Businesses of the Fellow Subsidiaries had been transferred to CK Biotech Laboratory as at those dates.

All significant intra-group transactions, cash flow and balances have been eliminated.

The financial information has been prepared on a going concern basis as the amount due to the immediate holding company will be assigned to its shareholders and thereafter fully capitalised subsequent to 31 March 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses where applicable. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the 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 assets, the expenditure is capitalised as an additional cost of the asset.

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 recognised in the income statement.

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

Property	Over the terms of the lease
Laboratory instruments, plant and equipment	20%
Motor vehicles	20%
Office equipment, furniture and fixtures	20%-33⅓%

2. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a closely-defined project will be recovered through future commercial activities.

Capitalised development costs are stated at cost less amortisation and impairment losses.

Amortisation of development costs is charged to the income statement on a straight line basis over the estimated commercial lives of the underlying products which generally will not exceed ten years.

(b) Patents

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

Subsequent expenditure on an intangible asset after its completion is recognised 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.

Impairment

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchases and costs incurred in bringing the stocks to their present condition and location, is calculated using the weighted average method. Net realisable value is determined by management estimates, based on prevailing market conditions.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event from which it can be reasonably estimated that an outflow of economic benefits will probably result.

2. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. Profits and losses arising on exchange are dealt with in the income statement.

On combination, financial statements of overseas subsidiaries which are denominated in foreign currencies are translated at the prevailing rates on the relevant reporting date. All exchange differences arising on translation are dealt with in reserves.

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 recognised in the income statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the income statements and balance sheets to the extent that it is probable that a liability or an asset will crystallise 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.

3. TURNOVER

Turnover comprises sales revenues net of sales returns and allowances.

For the year ended 31 December 2001, the Group's turnover was derived entirely from sales of biotechnology products to Thailand. For the three months ended 31 March 2002, the Group's turnover derived from sales of biotechnology products to Australia and Myanmar of HK$74,880 and HK$59,280 with cost of sales amounting to HK$62,281 and HK$41,549 respectively. More than 90% of the operating loss and assets are attributable to the Group's operating, research and development activities in Hong Kong. Accordingly, no analysis by geographical and business service segments is provided herein.

4. OTHER REVENUE

Other revenue represents interest received from bank deposits.

5. LOSS BEFORE TAXATION

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	HK$	HK$	HK$
Loss before taxation has been arrived at after charging:			
Auditors' remuneration	19,000	42,000	20,000
Directors' remuneration			
- fees	—	—	—
- other emoluments			
- related to research and development activities	3,410,199	4,041,142	930,715
- others	5,904,451	8,167,801	4,086,123
Other staff costs			
- related to research and development activities	5,458,224	19,808,744	5,433,662
- others	105,512,570	17,138,150	6,980,313
	120,285,444	49,155,837	17,430,813
Less: Amounts capitalised as development costs	—	17,906,112	3,694,496
	120,285,444	31,249,725	13,736,317
Depreciation of property, plant and equipment			
- related to research and development activities	192,986	8,997,003	2,607,195
- others	185,324	4,965,387	1,644,492
	378,310	13,962,390	4,251,687
Less: Amounts capitalised as development costs	—	7,347,032	1,300,118
	378,310	6,615,358	2,951,569
Amortisation of intangible assets	—	52,680	158,040
Loss on disposal of equipment	—	—	1,768
Operating lease payment in respect of rented premises	1,844,163	—	—
Research and development expenditure other than staff cost and depreciation	2,594,204	9,054,594	2,071,583
Less: Amounts capitalised as development costs	—	6,750,829	1,068,549
	2,594,204	2,303,765	1,003,034

Remuneration paid to the employees, who will become directors of the Group upon Group Reorganisation, during the Relevant Periods are included under directors' remuneration on the basis as if they have been appointed directors since 1 January 2000.

Operating lease rentals in respect of accommodation provided to staff amounting to HK$120,000, HK$878,567 and HK$247,350 for the year ended 31 December 2000 and 2001 and the three months ended 31 March 2002 respectively are included in other staff costs.

6. TAXATION

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for each of the two years ended 31 December 2001. No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2002 as there are tax losses brought forward to offset the assessable profit for the period.

Details of the unprovided deferred tax asset/(liability) for each of the two years ended 31 December 2001 and the three months ended 31 March 2002 are set out in note 20.

7. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries since their incorporation.

8. LOSS PER SHARE

The calculation of the loss per Share is based on the net loss for each of the two years ended 31 December 2001 and the three months ended 31 March 2002 and assuming 5,100,000,000 Shares in issue, comprising 70,000 Shares in issue as at the date of the Prospectus and 5,099,930,000 Shares to be issued pursuant to the Capitalisation Issue as described in the paragraph headed "Written resolutions of the Shareholders passed on 26 June 2002" in Appendix IV to the Prospectus.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors

Details of emoluments paid by the Group to the directors of the Company during the Relevant Periods are as follows:

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	HK$	HK$	HK$
Fees	—	—	—
Salaries and other benefits	7,632,550	10,094,893	4,652,400
Bonus	937,500	1,125,000	52,138
Retirement benefits schemes contributions	744,600	989,050	312,300
	9,314,650	12,208,943	5,016,838
Analysed into:			
Director A	—	—	1,050,000
Director B	—	—	450,000
Director C	—	—	—
Director D	—	263,170	793,149
Director E	4,992,301	5,476,448	1,249,727
Director F	3,410,199	4,041,142	930,715
Director G	912,150	2,428,183	543,247
	9,314,650	12,208,943	5,016,838

During the Relevant Periods, no emoluments were paid by the Group to these directors as an inducement to join or upon joining the Group or as compensation for loss of office and no director had waived their emoluments.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS – (CONTINUED)

The emoluments of the five individuals with the highest emoluments in the Group, including three directors for the two years ended 31 December 2000 and 2001 and four directors for the three months ended 31 March 2002 (details of which are set out above), were as follows:

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	HK$	HK$	HK$
Salaries and other benefits	110,710,019	14,171,701	4,610,756
Bonus	999,500	1,410,500	–
Retirement benefits schemes contributions	1,033,800	1,299,295	323,850
	112,743,319	16,881,496	4,934,606

The emoluments were within the following bands:

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	No. of employees	No. of employees	No. of employees
HK$nil to HK$1,000,000	2	—	3
HK$1,000,001 to HK$1,500,000	—	1	2
HK$2,000,001 to HK$2,500,000	—	1	—
HK$3,000,001 to HK$3,500,000	1	—	—
HK$3,500,001 to HK$4,000,000	—	1	—
HK$4,000,001 to HK$4,500,000	—	1	—
HK$4,500,001 to HK$5,000,000	1	—	—
HK$5,000,001 to HK$5,500,000	—	1	—
HK$102,500,001 to HK$103,000,000	1	—	—
	5	5	5

In 2000, HK$100 million was paid by the Group to one of the five highest paid individuals as an inducement to join the Group. No other emoluments except as mentioned above were paid to the five highest paid individuals (including directors of the Company) as an inducement to join or upon joining the Group or as compensation for loss of office.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Laboratory instruments, plant and equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$
2000					
COST					
Additions and as at 31 December 2000	140,754,118	11,599,760	23,462,127	—	175,816,005
DEPRECIATION					
Provided for the year and as at 31 December 2000	—	240,883	137,427	—	378,310
NET BOOK VALUE					
At 31 December 2000	140,754,118	11,358,877	23,324,700	—	175,437,695
2001					
COST					
At 1 January 2001	140,754,118	11,599,760	23,462,127	—	175,816,005
Additions during the year	7,888,405	21,436,496	5,339,220	756,036	35,420,157
At 31 December 2001	148,642,523	33,036,256	28,801,347	756,036	211,236,162
DEPRECIATION					
At 1 January 2001	—	240,883	137,427	—	378,310
Provided for the year	3,192,719	4,891,511	5,736,303	141,857	13,962,390
At 31 December 2001	3,192,719	5,132,394	5,873,730	141,857	14,340,700
NET BOOK VALUE					
At 31 December 2001	145,449,804	27,903,862	22,927,617	614,179	196,895,462
2002					
COST					
At 1 January 2002	148,642,523	33,036,256	28,801,347	756,036	211,236,162
Additions during the period	2,183,514	13,712,499	807,901	—	16,703,914
Disposal	—	—	(6,175)	—	(6,175)
At 31 March 2002	150,826,037	46,748,755	29,603,073	756,036	227,933,901
DEPRECIATION					
At 1 January 2002	3,192,719	5,132,394	5,873,730	141,857	14,340,700
Provided for the period	797,868	1,949,957	1,466,060	37,802	4,251,687
Eliminated on disposal	—	—	(617)	—	(617)
At 31 March 2002	3,990,587	7,082,351	7,339,173	179,659	18,591,770
NET BOOK VALUE					
At 31 March 2002	146,835,450	39,666,404	22,263,900	576,377	209,342,131

During the Relevant Periods, a subsidiary of the Group entered into an agreement with Hong Kong Science and Technology Parks Corporation (formerly known as the Hong Kong Industrial Estates Corporation) for leasing certain land and buildings at Tai Po for a period up to 27 June 2047. No depreciation has been provided on the properties for the year ended 31 December 2000 as the properties were under major renovation and had not been put in use.

11. INTANGIBLE ASSETS

	Development costs	Patents	Total
	HK$	HK$	HK$
2001			
COST			
Additions and as at 31 December 2001	32,003,973	3,446,689	35,450,662
AMORTISATION			
Provided for the year and as at 31 December 2001	42,950	9,730	52,680
NET BOOK VALUE			
As at 31 December 2001	31,961,023	3,436,959	35,397,982
2002			
COST			
At 1 January 2002	32,003,973	3,446,689	35,450,662
Additions during the period	6,063,163	313,311	6,376,474
At 31 March 2002	38,067,136	3,760,000	41,827,136
AMORTISATION			
At 1 January 2002	42,950	9,730	52,680
Provided for the period	128,850	29,190	158,040
At 31 March 2002	171,800	38,920	210,720
NET BOOK VALUE			
As at 31 March 2002	37,895,336	3,721,080	41,616,416

12. INVENTORIES

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Raw materials	3,117,000	3,276,411	3,324,929
Finished goods	—	44,228	209,745
	3,117,000	3,320,639	3,534,674

All inventories are carried at cost at the end of each relevant period.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Trade receivables	—	148,200	275,839
Other debtors, deposits and prepayments	7,372,104	3,486,457	5,276,678
	7,372,104	3,634,657	5,552,517

The Group has a policy of allowing an average credit period of 90 days to its trade customers. An aged analysis of trade debtors is stated as follows:

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Aged			
0 to 90 days	—	148,200	127,639
90 to 180 days *(Note)*	—	—	148,200
	—	148,200	275,839

Note: The amount of HK$148,200 was subsequently received in April 2002.

14. TRADE AND OTHER PAYABLES

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Trade creditors	—	158,279	71,308
Other creditors and accrued charges	61,618,719	19,915,491	28,266,711
	61,618,719	20,073,770	28,338,019

Trade creditors as at 31 December 2001 and 31 March 2002 aged within 90 days.

15. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to the Company's immediate holding company is unsecured, interest-free and with no fixed repayment terms. Had interest been charged on the outstanding balance during the Relevant Periods based on the prevailing market borrowing rates of approximately 9%, 7% and 5% per annum for the respective years, the Group would have paid interest of approximately HK$9.9 million, HK$22.3 million and HK$5.5 million for the years ended 31 December 2000 and 2001 and the three months ended 31 March 2002 respectively. The amount due to the Company's immediate holding company was subsequently assigned to the immediate holding company's shareholders and thereafter fully capitalised.

16. SHARE CAPITAL

For the purpose of this report, the share capital as at 31 December 2000 and 2001 and 31 March 2002 represented the amount of the nominal value of the share capital of the Company as at 31 December 2001 and 31 March 2002.

17. ACCUMULATED LOSSES

	HK$
As at 1 January 2000	—
Loss for the year	(137,490,677)
As at 31 December 2000	(137,490,677)
Loss for the year	(57,934,225)
As at 31 December 2001	(195,424,902)
Loss for the period	(22,145,664)
As at 31 March 2002	(217,570,566)

18. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH USED IN OPERATIONS

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	HK$	HK$	HK$
Loss before taxation	(137,466,550)	(57,895,875)	(22,145,664)
Amortisation of intangible assets	—	52,680	158,040
Depreciation	378,310	6,615,358	2,951,569
Loss on disposal of equipment	—	—	1,768
Interest income	(2,596)	(14,185)	(3,682)
Operating loss before working capital changes	(137,090,836)	(51,242,022)	(19,037,969)
Increase in inventories	(3,117,000)	(203,639)	(214,035)
(Increase)/decrease in trade and other receivables	(7,372,104)	3,737,447	(1,917,860)
Increase/(decrease) in trade and other payables	38,402,591	(24,388,576)	(1,193,895)
Cash used in operations	(109,177,349)	(72,096,790)	(22,363,759)

19. ANALYSIS OF CHANGES IN FINANCING DURING THE RELEVANT PERIODS

	Share capital	Amount due to immediate holding company
	HK$	HK$
Financing at 1 January 2000	—	—
Issue of share capital	8	—
Net cash from financing	—	262,173,140
Financing at 31 December 2000	8	262,173,140
Net cash from financing	—	158,840,612
Financing at 31 December 2001	8	421,013,752
Net cash from financing	—	31,492,553
Financing at 31 March 2002	8	452,506,305

20. DEFERRED TAXATION

The amount of tax asset/(liability) not provided for in the financial statements is as follows:

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Tax effect of timing differences arising because of:			
Excess of tax allowance over depreciation charges	(9,500,000)	(13,500,000)	(15,500,000)
Other timing differences	—	(4,000,000)	(5,000,000)
Tax losses un-utilised	14,500,000	31,500,000	37,500,000
	5,000,000	14,000,000	17,000,000

A net deferred tax asset has not been recognised in the financial statements as it is not certain that the asset will be crystallised in the foreseeable future.

The amount of the unprovided deferred tax charge/(credit) for each of the Relevant Periods is as follows:

	Year ended 31 December		Three months ended 31 March
	2000	2001	2002
	HK$	HK$	HK$
Tax effect of timing difference arising because of:			
Excess of tax allowances over depreciation charges	9,500,000	4,000,000	2,000,000
Other timing differences	—	4,000,000	1,000,000
Tax losses arising	(14,500,000)	(17,000,000)	(6,000,000)
	(5,000,000)	(9,000,000)	(3,000,000)

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises for each of the following periods:

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Within one year	720,000	869,400	689,400
In the second to fifth years	600,000	110,606	44,900
	1,320,000	980,006	734,300

22. CAPITAL COMMITMENT

	As at 31 December		As at 31 March
	2000	2001	2002
	HK$	HK$	HK$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statement	8,500,000	2,682,000	6,166,000

23. RETIREMENT BENEFITS SCHEME

The Company and its subsidiaries operating in Hong Kong have joined both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the ORSO Scheme) and the Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the Schemes are held separately from those of the Group, in funds under the control of trustee.

The Group's retirement benefits scheme cost was HK$1,525,201, HK$3,551,019 and HK$1,081,170 for the years ended 31 December 2000 and 31 December 2001 and three months ended 31 March 2002 respectively. Forfeited contribution during each of the aforementioned periods were HK$13,099, HK$329,693 and HK$167,990 respectively.

24. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group entered into the following material transactions with related parties:

			Year ended 31 December		Three months ended 31 March
Name of related party	**Nature of transactions**	**Notes**	**2000**	**2001**	**2002**
			HK$	**HK$**	**HK$**
Cheung Kong (Holdings) Limited	Management fee	1	2,800,000	2,500,000	740,000
Montaco Limited	Rental expense	2	120,000	720,000	180,000
Hutchison Whampoa Property Limited	Rental expense	3	1,844,163	—	—

Notes:

1. The management fee was paid and payable to the ultimate holding company of the Group for administrative services provided and the amount was based on the terms agreed by the companies concerned. The outstanding balances due to the ultimate holding company, including the management fee, amounted to HK$1,500,000, HK$3,010,864 and HK$3,891,705 as at 31 December 2000, 31 December 2001 and 31 March 2002 respectively and were included in trade and other payables.
2. Rental was paid to a fellow subsidiary of the Company for the staff quarters provided, at a rental determined by reference to the market price.
3. Rental was paid and payable to an associate of the Company's ultimate holding company, at a rental determined by reference to the market price. The lease was terminated after 31 December 2000.

The Directors have confirmed that the above-mentioned transactions, except for that disclosed in note (a)(3) above, will continue following the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM").

(b) In addition to the above, the immediate holding company made unsecured interest free advances to the Group and the balances outstanding at 31 December 2000, 31 December 2001 and 31 March 2002 are disclosed in combined balance sheets.

(c) On 10 May 2002, CK Biotech Laboratory entered into an agreement with the Fellow Subsidiaries, whereby the Fellow Subsidiaries transferred their Businesses to CK Biotech Laboratory. Details of the transaction are set out in the paragraph headed "Reorganisation" in Appendix IV to the Prospectus.

B. NET ASSETS OF THE COMPANY

As at 31 March 2002 and 31 December 2001, the Company had respectively interest in subsidiaries of approximately HK$343 million and nil, amounts due from fellow subsidiaries of approximately HK$110 million and HK$421 million and amount due to an immediate holding company of approximately HK$453 million and HK$421 million. Had the Group Reorganisation been completed on 31 March 2002, the net assets of the Company at that date would have been approximately HK$453 million representing the Company's investment in its subsidiaries.

C. ULTIMATE HOLDING COMPANY

As at 31 March 2002, the Directors consider that the Company's ultimate holding company is Cheung Kong (Holdings) Limited, a public limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited.

D. DIRECTORS' REMUNERATIONS

Under the arrangement currently in force, the aggregate remuneration of the directors of the Company payable for the year ending 31 December 2002 is estimated to be approximately HK$22,548,000.

E. SUBSEQUENT EVENTS

The following events have taken place subsequent to 31 March 2002:

(a) On 26 June 2002, written resolutions were passed to effect the transactions which are set out in the paragraph headed "Written resolutions of the shareholders passed on 26 June 2002" in Appendix IV of the Prospectus;

(b) The amount due to immediate holding company was assigned directly or indirectly to the present shareholders of the Company before it was capitalised as set out in the paragraph headed "Changes in share capital of the Company" in Appendix IV of the Prospectus;

(c) The Companies in the Group will undergo the Group Reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the GEM, details of which are set out in the paragraph headed "Reorganisation" in Appendix IV of the Prospectus.

F. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements for any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 March 2002.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificate, prepared for the purpose of inclusion in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with their valuations as at 30 April 2002 of the property interests of the Group.

DTZ Debenham Tie Leung 戴德梁行
International Property Advisers

Formerly C Y Leung & Company
原梁振英測量師行

4 July 2002

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

Dear Sirs,

In accordance with your instructions to us to value the properties held by CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of these properties as at 30 April 2002 (the "Date of Valuation").

Unless otherwise stated, our valuation of each of the properties represents its open market value which we would define as intended to mean "an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the Date of Valuation, assuming:

(a) a willing seller;

(b) that, prior to the Date of Valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the Date of Valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuations have been made on the assumption that the Group sells the properties on the open market without the benefit of deferred term contracts, leasebacks, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no forced sale situation in any manner is assumed in our valuations.

In valuing the property in Group I which is held and occupied by the Group in Hong Kong, due to the specific nature of the buildings and structures, we have adopted the Depreciated Replacement Costs (the "DRC") approach. A DRC approach requires an estimate of the open market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The value is subject to adequate potential profitability of the undertaking.

The properties in Group II, which are leased to the Group in Hong Kong, have no commercial value due to the prohibitions against assignment of the properties or otherwise due to the lack of substantial profit rent.

With the exception of the relevant tenancy agreements, we have not been provided by the Group with any copies of title documents relating to the properties. However, we have made searches at the Tai Po, New Territories, Land Registry in respect of Property No. 1. Nevertheless, we have not examined the original documents to verify ownership or to ascertain the existence of any amendments but have relied upon information given to us by the Group.

We have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, occupation, tenure, tenancy particulars, identification and age of properties, floor areas, floor plans, identities of the landlords and tenants and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We enclose herewith a summary of valuations and our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor (General Practice Division)
A.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 30 April 2002
		HK$
Group I — Property held and occupied by the Group in Hong Kong		
1.	The factory building at 2 Dai Fu Street, Tai Po Industrial Estate, Tai Po, New Territories	115,000,000
	Sub-total:	115,000,000
Group II — Properties leased to the Group in Hong Kong		
2.	Flat 5 on 19th Floor, Block B, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	No commercial value
3.	Flat 2 on 19th Floor, Block C, Greenery Plaza, 3 Chui Yi Street, Tai Po, New Territories	No commercial value
4.	Flat 6 on 2nd Floor, Block D, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	No commercial value
5.	Flat F on 10th Floor, Bong Hing Building, 6-20 Sui On Street, Tai Po, New Territories	No commercial value
6.	Flat 5 on 19th Floor, Block A, Beautiful Garden, 11 Chui Lok Street, Tai Po, New Territories	No commercial value

	Property	Capital value in existing state as at 30 April 2002
		HK$
7.	Suite No. 11A on 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay, Tai Po Road, Tai Po Kau, Tai Po, New Territories	No commercial value
8.	Suite No. 11B on 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay, Tai Po Road, Tai Po Kau, Tai Po, New Territories	No commercial value
	Sub-total:	No commercial value
	Total:	115,000,000

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2002
1.	The factory building at 2 Dai Fu Street, Tai Po Industrial Estate, Tai Po, New Territories Sub-section 2 of Section C of Tai Po Town Lot No. 1	The property comprises a 4-storey factory building completed in 1981. The property has a total gross floor area of approximately 15,185.24 sq.m. (163,454 sq.ft.). It is erected on a site with a registered site area of approximately 6,076.30 sq.m. (65,405 sq.ft.). Moreover, a total of 17 car parking spaces are provided on the ground floor of the property. The property is held from Hong Kong Science and Technology Parks Corporation (formerly known as The Hong Kong Industrial Estates Corporation) for a term expiring on 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group for research, development and production of biotechnological products for use in the environmental field and agricultural field.	HK$115,000,000

Notes:

(1) The agreement for lease together with the form of lease (the "Lease") made between Hong Kong Science and Technology Parks Corporation (formerly known as The Hong Kong Industrial Estates Corporation) (the "Corporation") and CK Life Sciences Limited (formerly known as Perfect Sky Development Limited) (the "Lessee") restricts assignment of the property by the Lessee. In the event that the Lessee is desirous of assigning the property at any time during the term of the Lease, the Lessee shall first offer to surrender its interest free from encumbrances and with vacant possession to the Corporation at a consideration calculated in accordance with a prescribed formula set out in the Lease. In the event that the offer is not accepted by the Corporation within a period of six weeks, it shall be deemed to have been rejected and the Lessee may thereafter dispose of the property by way of assignment subject to certain conditions.

(2) Whereas, if the Corporation accepts the surrender of the property offered by the Lessee, the consideration payable by the Corporation as provided in the Lease will be the lesser of either (A) or (B) of the following:

(A) The total of the following two amounts reduced by ten percent:

(I) in respect of the said land, a sum equivalent to the fraction of 1/t (one over "t") of eighty percent (80%) of the premium notionally attributable to the said land (as referred to in the Lease) multiplied by the number of complete years in the portion of the term unexpired at the date of completion of the surrender where the symbol "t" means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and

(II) in respect of any building (including any fixtures and fittings therein) granted under the said Lease or constructed or erected in accordance with the provisions of the Lease, the replacement cost thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event of redevelopment whereby all the building(s) on the said land has been replaced by new building(s), the first new building on the said land pursuant to such redevelopment.

or

(B) in respect of both such land and such building (including any fixtures and fittings) therein, the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined but reduced by ten percent.

(3) The property is currently zoned under Tai Po Outline Zoning Plan No. S/TP/15 dated 28 September 2001 for "Other Specified Uses − Industrial Estate".

Group II — Properties leased to the Group in Hong Kong

	Property	Description and tenure	Capital value in existing state as at 30 April 2002
2.	Flat 5 on 19th Floor, Block B, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	The property comprises a domestic unit on the 19th floor of a 22-storey residential building erected upon a common podium completed in 1986. The property has a gross floor area of approximately 33.63 sq.m. (362 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 11 June 2001 to 10 June 2003 at a monthly rent of HK$4,300, inclusive of rates, Government rent and management fees.	No commercial value
3.	Flat 2 on 19th Floor, Block C, Greenery Plaza, 3 Chui Yi Street, Tai Po, New Territories	The property comprises a domestic unit on the 19th floor of a 20-storey residential building erected upon a common podium completed in 1986. The property has a gross floor area of approximately 34.19 sq.m. (368 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 21 May 2001 to 20 May 2003 at a monthly rent of HK$4,700, inclusive of rates, Government rent and management fees.	No commercial value
4.	Flat 6 on 2nd Floor, Block D, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	The property comprises a domestic unit on the 2nd floor of a 22-storey residential building erected upon a common podium completed in 1986. The property has a gross floor area of approximately 34.10 sq.m. (367 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 7 June 2001 to 6 June 2003 at a monthly rent of HK$4,300, inclusive of rates, Government rent and management fees.	No commercial value

	Property	Description and tenure	Capital value in existing state as at 30 April 2002
5.	Flat F on 10th Floor, Bong Hing Building, 6-20 Sui On Street, Tai Po, New Territories	The property comprises a domestic unit on the 10th floor of a 12-storey composite building completed in 1980. The property has a saleable area of approximately 26.20 sq.m. (282 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 28 May 2001 to 27 May 2003 at a monthly rent of HK$4,200, inclusive of rates, Government rent and management fees.	No commercial value
6.	Flat 5 on 19th Floor, Block A, Beautiful Garden, 11 Chui Lok Street, Tai Po, New Territories	The property comprises a domestic unit on the 19th floor of an 18-storey residential building erected upon a common podium completed in 1992. The property has a gross floor area of approximately 34.84 sq.m. (375 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 21 May 2001 to 20 May 2003 at a monthly rent of HK$4,950, inclusive of rates, Government rent and management fees.	No commercial value
7.	Suite No. 11A on 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay, Tai Po Road, Tai Po Kau, Tai Po, New Territories	The property comprises a domestic unit on the 11th floor of an 11-storey residential building erected upon a common podium completed in 1998. The property has a gross floor area of approximately 135.82 sq.m. (1,462 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 1 November 2000 to 31 October 2002 at a monthly rent of HK$30,000, inclusive of rates, Government rent and management fees.	No commercial value

	Property	Description and tenure	Capital value in existing state as at 30 April 2002
8.	Suite No. 11B on 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay, Tai Po Road, Tai Po Kau, Tai Po, New Territories	The property comprises a domestic unit on the 11th floor of an 11-storey residential building erected upon a common podium completed in 1998. The property has a gross floor area of approximately 127.87 sq.m. (1,376 sq.ft.) and is currently occupied by the Group as staff quarters. The property is currently leased to the Group for a term of 2 years from 1 November 2000 to 31 October 2002 at a monthly rent of HK$30,000, inclusive of rates, Government rent and management fees.	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 August 2001 under the Companies Law. The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1 MEMORANDUM

The Memorandum of the Company was adopted on 26 June 2002 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum is available for inspection at the address specified in Appendix V in the section headed "Documents available for inspection".

2 ARTICLES OF ASSOCIATION

The Articles of the Company were adopted on 26 June 2002 and include provisions to the following effect:

(A) Classes of Shares

The share capital of the Company consists of ordinary shares.

(B) Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director of any security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal concerning any other company in which the Director is interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director is beneficially interested in shares of that company, provided that, he, together with any of his associates, is not beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights;

(v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which he may benefit;

(bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(vi) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office. The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director and may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person other than a retiring Director shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, not less than seven and not more than 28 clear days before the day appointed for the meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by a special resolution of the members of the Company under the Articles.

At every annual general meeting of the Company one-third of the Directors (other than the managing Director or joint managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(C) Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

(D) Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(E) Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

(F) Special resolution - majority required

A "special resolution" is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

(G) Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

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

(a) the chairman of the meeting; or

(b) at least five members of the Company present in person or by proxy and entitled to vote; or

(c) any member or members of the Company present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or

(d) any member or members of the Company present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

(H) Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

(I) Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent, in the manner in which notices may be served by the Company as provided in the Articles, to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(J) Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(K) Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form, the standard form of transfer as prescribed by the Stock Exchange or in such other form as the Directors may approve.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(L) Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

(M) Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

(N) Dividends and other methods of distributions

Subject to the Companies Law and Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other such sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(O) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(P) Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(Q) Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

(R) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph (D) above.

(S) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression.

(T) Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

(U) Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three-month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

3 CAYMAN ISLANDS COMPANY LAW

A. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England.

B. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 August 2001 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

C. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

D. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see C above for further details).

E. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

F. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

G. Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

H. Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

I. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

J. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

K. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

L. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

M. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

N. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

O. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

P. Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Q. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

R. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(2) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of twenty years from 28 May 2002.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

S. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

T. General

Maples and Calder Asia, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 August 2001. The Company's principal place of business in Hong Kong is at 7th Floor, Cheung Kong Center, No. 2 Queen's Road Central, Hong Kong and was registered on 24 April 2002 as an oversea company in Hong Kong under Part XI of the Companies Ordinance, with Mr. Kam Hing Lam of 9th Floor, Cheung Kong Center, No. 2 Queen's Road Central, Hong Kong appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of the Company's constitution and certain relevant aspects of the Companies Law are set out in Appendix III.

Changes in share capital of the Company

As at the date of incorporation of the Company, its authorised share capital was US$50,000 divided into 50,000 shares of US$1.00 each. On 10 August 2001, one subscriber's share of US$1.00 par value was allotted and issued to Offshore Incorporations (Cayman) Limited for cash at par.

On 22 April 2002, the Company redenominated and increased its authorised 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. On the same day, 78 new Shares were issued by the Company to Bristol Profits Limited (a company indirectly owned by Gold Rainbow as to 60%, by Trueway as to 30% and by Triluck as to 10%) for cash at par, and the 1 share of US$1.00 par value previously in issue was repurchased by the Company at a price equal to the proceeds of the issue of 78 new Shares. The authorised but unissued share capital of the Company was reduced by cancellation of all of the authorised 50,000 shares of US$1.00 par value each.

On 22 April 2002, 22 additional Shares were issued by the Company to Bristol Profits Limited for cash at par.

On 14 June 2002, the Company increased its authorised share capital from HK$1,000,000,000 to HK$1,500,000,000 by the creation of an additional 5,000,000,000 Shares.

On 17 June 2002, an aggregate of 69,900 additional Shares were issued by the Company, to Gold Rainbow as to 38,646 Shares, to Trueway as to 19,323 Shares, to Triluck as to 6,441 Shares, and to Mr. Cheung as to 5,490 Shares, on capitalisation of loans then owing by the Company to each of them. The loans owing by the Company had been assigned on 22 April 2002 by Bristol Profits Limited to Gold Rainbow as to 60%, to Trueway as to 30% and to Triluck as to 10%. Each of Gold Rainbow, Trueway and Triluck then assigned part of their respective interests in the loans to Mr. Cheung on 17 June 2002 before the loans were capitalised.

Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares and the Capitalisation Issue mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK$1,500,000,000 divided into 15,000,000,000 Shares and the issued share capital of the Company will be HK$640,700,000 divided into 6,407,000,000 Shares fully paid or credited as fully paid, with 8,593,000,000 Shares remaining unissued. Other than: (a) pursuant to any options which may be granted under the Share Option Scheme; or (b) pursuant to exercise of the Over-allotment Option; or (c) the exercise of the general mandate to issue shares referred to in the paragraph headed "Written resolutions of the Shareholders passed on 26 June 2002" under this section below, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

Written resolutions of the Shareholders passed on 26 June 2002

On 26 June 2002, the following written resolutions of the Shareholders were passed as ordinary resolutions of the Company:

(a) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Salomon Smith Barney, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;

(b) conditional on the share premium account of the Company being credited as a result of the Share Offer and upon recommendation of the Directors, a sum of HK$509,993,000 be capitalised from the amount standing to the credit of the share premium account and the said sum be applied in paying up in full at par 5,099,930,000 Shares for allotment and issue credited as fully paid to Gold Rainbow as to 2,819,969,865 Shares, to Trueway as to 1,409,984,933 Shares, to Triluck as to 469,994,978 Shares and to Mr. Cheung as to 399,980,224 Shares, being the holders of Shares on the register of members of the Company on 26 June 2002 (the "Capitalisation Issue") and that such Shares shall rank pari passu in all respects with the then existing issued Shares of the Company and the Directors be authorised to give effect to the Capitalisation Issue;

(c) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, any Shares in issue and any Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme); (ii) the commencement of dealings in the Shares on GEM; (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Salomon Smith Barney, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise; and (iv) the Share Option Scheme being approved by resolution of the shareholders of Cheung Kong at its general meeting[(1)], the Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same and that the Directors be and are hereby authorised to grant options under the Share Option Scheme and any other share option scheme of the Company in issue entitling grantees to exercise up to an aggregate of 10% of (i) the total number of shares of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue; and (ii) the total number of shares of the Company which may be issued pursuant to the Over-allotment Option, upon and subject to the terms and conditions of the Share Option Scheme;

Note:

(1) A notice to convene an extraordinary general meeting of Cheung Kong to be held on 10 July 2002 has been issued on 24 June 2002 to seek the approval of the Share Option Scheme from the shareholders of Cheung Kong.

(d) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value as will represent up to 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or any other applicable laws to be held; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and

(f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue.

On 26 June 2002, a written resolution of the Shareholders was passed as special resolution of the Company under which the Company approved and adopted the Memorandum and Articles.

Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM. As a result, the Company became the holding company of the Group. The reorganisation involved the following:

(a) On 13 March 2002, the Company acquired from Biotech Strategic (Holdings) Limited ("BSHL"), a company incorporated in the Cayman Islands with limited liability, one share of par value US$1 in the capital of Biotech Strategic Holdings Limited ("Biotech Strategic"), a company incorporated in the BVI with limited liability, representing the entire issued share capital of Biotech Strategic, for a cash consideration of US$1.

(b) On 13 March 2002, the Company acquired from Principal Developments Limited, a company incorporated in the BVI with limited liability, one share of par value US$1 in the capital of Pyrope Assets Limited ("Pyrope"), a company incorporated in the BVI with limited liability, representing the entire issued share capital of Pyrope, for a cash consideration of US$1.

(c) On 13 March 2002, Pyrope acquired from Bio-World one share of par value of US$1 in the capital of CK Life Sciences Int'l., Inc., a company incorporated in the BVI with limited liability, representing the entire issued share capital of CK Life Sciences Int'l., Inc., for a cash consideration of US$1.

(d) On 13 March 2002, the Company acquired from Patip Developments Limited, a company incorporated in the BVI with limited liability, one share of par value US$1 in the capital of Praying Mantis Limited ("Praying Mantis"), a company incorporated in the BVI with limited liability, representing the entire issued share capital of Praying Mantis, for a cash consideration of US$1.

(e) On 9 April 2002, CK Life Sciences Products Limited, a company incorporated in Hong Kong with limited liability, acquired from Biotech Strategic one share of par value US$1 in the capital of Bioedit Developments Limited ("Bioedit"), a company incorporated in the BVI with limited liability, representing the entire issued share capital of Bioedit, for a cash consideration of US$1.

(f) On 9 April 2002, CK Life Sciences Products Limited acquired from Biotech Strategic one share of par value US$1 in the capital of Biocycle Resources Limited ("Biocycle"), a company incorporated in the BVI with limited liability, representing the entire issued share capital of Biocycle, for a cash consideration of US$1.

(g) On 10 May 2002, each of (1) Bio-World and (2) CK Laboratory transferred all their respective assets and business undertakings (except shares in CK Laboratory) to CK Biotech Laboratory and CK Biotech Laboratory assumed the obligations of Bio-World and CK Laboratory under the loans then owing to the Company in the principal amounts of HK$108,317,039 and HK$1,975,661, respectively.

(h) On 26 June 2002, the rights and obligations of CK Laboratory under a services agreement dated 27 April 2002 between Ultra Biotech Limited ("Ultra Biotech") and CK Laboratory for the provision by CK Laboratory of research and development services to Ultra Biotech were novated to CK Biotech Laboratory.

Changes in the share capital of subsidiaries of the Company

The Company's subsidiaries are referred to in the accountants' report for the Company, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) On 16 August 2000, one share of par value US$1 in the capital of Unitech Worldwide Limited ("Unitech"), a company incorporated in the BVI with limited liability, was allotted and issued to Praying Mantis for cash at par.

(b) On 21 August 2000, one subscriber's share of par value £1 in the capital of Ultra Biotech Limited ("Ultra Biotech"), a company incorporated in the Isle of Man with limited liability, was allotted and issued to Abacus Nominee Limited ("Abacus") for cash at par. The share in Ultra Biotech is held by Abacus on trust for Unitech.

(c) On 11 July 2000, two subscribers' shares of US$1 each in the capital of Far East Biotech Int'l Inc. ("Far East Biotech"), a company incorporated in Mauritius with limited liability, were allotted and issued to H. Suzanne Gujadhur and Ziyad A.R. Bundhun respectively for cash at par. On 13 July 2000, the two shares in Far East Biotech were transferred by H. Suzanne Gujadhur and Ziyad A.R. Bundhun respectively to Bongo Investment Limited for a cash consideration of US$1 each.

(d) On 11 December 2000, the authorised share capital of CK Life Sciences Limited, a company incorporated in Hong Kong with limited liability, was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 99,990,000 shares of HK$1 each. On the same day, 9,999,998 shares of HK$1 each in CK Life Sciences Limited were allotted and issued to Pyrope for cash at par.

(e) On 24 April 2001, one share of par value US$1 in the capital of Bioedit was allotted and issued to Biotech Strategic for cash at par.

(f) On 30 May 2001, one share of par value US$1 in the capital of Biocycle was allotted and issued to Biotech Strategic for cash at par.

(g) On 6 February 2002, a total of two subscriber's shares of HK$1 each in the capital of CK Life Sciences Products Limited, a company incorporated in Hong Kong with limited liability, were allotted and issued to each of Fairwind Nominees Limited and Fairweather (Nominees) Limited respectively for cash at par. On 4 April 2002, the two shares in CK Life Sciences Products Limited were transferred by Fairwind Nominees Limited and Fairweather (Nominees) Limited to Biotech Strategic and its nominee, Bylite (Nominees) Limited respectively for a cash consideration of HK$1 each.

(h) On 6 February 2002, a total of two subscriber's shares of HK$1 each in the capital of CK Life Sciences Development Limited, a company incorporated in Hong Kong with limited liability, were allotted and issued to each of Fairwind Nominees Limited and Fairweather (Nominees) Limited respectively for cash at par. On 4 April 2002, the two shares in CK Life Sciences Development Limited were transferred by Fairwind Nominees Limited and Fairweather (Nominees) Limited to Pyrope and its nominee, Bylite (Nominees) Limited respectively for a cash consideration of HK$1 each.

(i) On 2 May 2002, one share of par value US$1 in the capital of Rado Resources Limited, a company incorporated in the BVI with limited liability, was allotted and issued to the Company for cash at par.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

Repurchase by the Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval.* All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of the Shareholders passed on 26 June 2002, a general unconditional mandate (the "Buyback Mandate") was given to the Directors authorising any repurchase by the Company of Shares on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose of up to 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held or the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) *Source of funds.* Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws.

(iii) *Trading restrictions.* A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange for this purpose the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange. A company may only repurchase shares on GEM if (i) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), whichever is higher, and (ii) the Company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange.

(iv) *Status of repurchased securities.* The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled, irrespective of whether or not such purchase took place on GEM and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase.* Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements.* Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading section or any pre-opening session on the business day following any day on which the issuer makes a repurchase of shares. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties.* Under the GEM Listing Rules, a company shall not knowingly purchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at the Latest Practicable Date and to the best of the knowledge of the Directors, having made all reasonable enquires, none of the Directors or their associates (as defined under GEM Listing Rules) has a present intention to sell Shares to the Company.

Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 6,407,000,000 Shares in issue immediately after listing of the Shares and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option) would accordingly result in up to 640,700,000 Shares which are fully paid being repurchased by the Company during the period from passing of the resolution granting the Buyback Mandate up to (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or (c) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

Reasons for repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share.

Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum and the articles of association of the Company and the applicable laws and regulations of Hong Kong and the Cayman Islands. The Company may not repurchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws and regulations of Hong Kong and the Cayman Islands.

No connected person (as defined in GEM Listing Rules) of the Company has notified the Company that he or she has a present intention to sell any Shares to the Company or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) an instrument of transfer dated 13 March 2002 entered into between Biotech Strategic (Holdings) Limited ("BSHL") and the Company (formerly known as CK Life Sciences Int'l., Inc.) under which BSHL transferred to the Company one share in Biotech Strategic Holdings Limited in consideration of the sum of US$1;

(b) an instrument of transfer dated 13 March 2002 entered into between Principal Developments Limited ("Principal") and the Company (formerly known as CK Life Sciences Int'l., Inc.) under which Principal transferred to the Company one share in Pyrope Assets Limited ("Pyrope") in consideration of the sum of US$1;

(c) an instrument of transfer dated 13 March 2002 entered into between Patip Developments Limited ("Patip") and the Company (formerly known as CK Life Sciences Int'l., Inc.) under which Patip transferred to the Company one share in Praying Mantis Limited in consideration of the sum of US$1;

(d) an instrument of transfer dated 13 March 2002 entered into between Bio-World and Pyrope under which Bio-World transferred to Pyrope one share in CK Life Sciences Int'l., Inc. (formerly known as CK Life Sciences (Holdings) Limited) in consideration of the sum of US$1;

(e) an agreement dated 10 May 2002 entered into by (1) CK Laboratory; (2) Bio-World; and (3) CK Biotech Laboratory (formerly known as Excel Hope Development Limited) under which each of CK Laboratory and Bio-World transferred all their respective assets and business undertakings (except shares in CK Laboratory) to CK Biotech Laboratory and CK Biotech Laboratory assumed the obligations of Bio-World and CK Laboratory under the loans then owing to the Company in the principal amounts of HK$108,317,039 and HK$1,975,661 respectively;

(f) an employment agreement dated 10 May 2002 between Excel Hope Development Limited ("Excel Hope") (now known as CK Biotech Laboratory Limited) and Mr. Cheung under which (1) Mr. Cheung was employed by Excel Hope as Chief Scientist for a term of at least 10 years at a monthly salary of HK$200,000 together with benefits; (2) Mr. Cheung was to be given 30% of the after tax net profits derived from the commercialisation of his work by

Excel Hope; and (3) Excel Hope should assign to Mr. Cheung (or procure the assignment to Mr. Cheung of) part of the loans owing by the Company in the principal amount of HK$41,010,709.43, and upon such assignment of loan the entitlement to share of profit mentioned in (2) shall be superseded;

(g) a deed of undertaking dated 10 May 2002 entered into between the Company and Mr. Cheung under which Mr. Cheung has given certain undertakings in relation to disposal of Shares he has as at the Listing Date (such undertakings are more particularly referred to in the paragraph headed "Additional Undertakings" in the section "Substantial and Initial Management Shareholders" in this prospectus);

(h) a novation agreement dated 21 June 2002 entered into by Montaco Limited as agent for and on behalf of The Church Body of the Hong Kong Sheng Kung Hui and Hong Kong Sheng Kung Hui Foundation as landlord (the "Landlord"), CK Life Sciences Laboratory Limited (formerly known as CK Technology Company Limited) (the "Previous Tenant") and Excel Hope Development Limited ("Excel Hope") (now known as CK Biotech Laboratory Limited) as tenant under which the Previous Tenant novated to Excel Hope the rights and obligations under two existing tenancy agreements in respect of (i) Flat A, 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay, No. 4699, Tai Po Road, Tai Po Kau, Tai Po, New Territories, Hong Kong; and (ii) Flat B, 11th Floor, Tower 2, Deerhill Tower, Deerhill Bay No. 4699, Tai Po Road, Tai Po Kau, Tai Po, New Territories, Hong Kong;

(i) a novation agreement dated 26 June 2002 entered into by CK Life Sciences Laboratory Limited (formerly known as CK Biotech Laboratory Limited and CK Technology Company Limited), Excel Hope Development Limited ("Excel Hope") (now known as CK Biotech Laboratory Limited) and Ultra Biotech pursuant to which the rights and obligations of CK Life Sciences Laboratory Limited under a services agreement dated 27 April 2002 between Ultra Biotech and CK Life Sciences Laboratory Limited for the provision by CK Life Sciences Laboratory Limited of research and development services to Ultra Biotech were novated to Excel Hope;

(j) a placing and underwriting agreement dated 3 July 2002 entered into by the Company, Cheung Kong, Gold Rainbow, Salomon Smith Barney, the Public Offer Underwriters and the Placing Underwriters relating to the Share Offer;

(k) a deed of indemnity dated 3 July 2002 entered into by Cheung Kong, Gold Rainbow and the Company for itself and as trustee for each of its subsidiaries, under which each of Cheung Kong and Gold Rainbow have given certain indemnities in favour of the Group containing, among other things, the indemnities referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the paragraph headed "Other Information" in this appendix;

(l) a deed of indemnity dated 3 July 2002 entered into by Trueway, Triluck and the Company for itself and as trustee for each of its subsidiaries, under which each of Trueway and Triluck have given certain indemnities in favour of the Group containing, among other things, the indemnities referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the paragraph headed "Other information" in this appendix; and

(m) the sponsor's agreement dated 3 July 2002 entered into between the Company and Salomon Smith Barney in relation to the appointment of Salomon Smith Barney as the sponsor of the Company.

Intellectual property

(1) Patents

As at the Latest Practicable Date, the Group had applied for registration of the following patents:

Title of Invention	Place of application
A Biological Fertilizer Based on Yeasts	United States
A Biological Fertilizer Based on Yeasts	PCT (designating all member states except the United States)
A Biological Fertilizer Based on Yeasts	Taiwan
A Biological Fertilizer Based on Yeasts	Malaysia
A Biological Fertilizer Based on Yeasts	Egypt
A Biological Fertilizer Based on Yeasts	Thailand
Biological Fertilizer Compositions Comprising Poultry Manure	United States
Biological Fertilizer Compositions Comprising Cattle Manure	United States
Biological Fertilizer Compositions Comprising Swine Manure	United States
Biological Fertilizer Compositions Comprising Sludge	United States
Biological Fertilizer Compositions Comprising Garbage	United States
Methods and Compositions for Degrading Polymeric Compounds	United States
Methods and Compositions for Degrading Nitrogen-Containing Compounds	United States
Yeast Compositions for Converting Bio-available Phosphorus in a Culture Medium to Intracellular Phosphorus	United States
Methods and Compositions for Reducing Odor	United States
Methods and Compositions for Suppressing Growth of Pathogenic Microbes	United States
Methods and Compositions for Waste Treatment	PCT (designating all member states)
Biological Fertilizer Compositions Comprising Manure, Sludge or Garbage	PCT (designating all member states)
Biological Compositions for Solid Waste Treatment	PCT (designating all member states)
Feed Additives for Pigs	United States
Feed Additives for Cattle	United States
Feed Additives for Sheep	United States
Feed Additives for Chickens	United States

Title of Invention	Place of application
Feed Additives for Ducks	United States
Feed Additives for Fishes	United States
Feed Additives for Shrimp Culture	United States
Feed Additives for Crustaceans	United States
Feed Additives for Cattle: Prevention of E. Coli Infection	United States
Feed Additives for Animals: Prevention of Foot and Mouth Disease	United States
Feed Additives for Dogs	United States
Feed Additives for Cats	United States
Feed Additives for Reducing Odor of Manure	United States

The Group is the registered proprietor and beneficial owner of the following patents:

Title of invention	Place of registration	Patent Number
Methods and Compositions for Degrading Environmental Toxins	United States	6,391,618
Yeast Compositions for Converting Bio-Available Nitrogen in a Culture Medium to Intracellular Nitrogen	United States	6,391,617
Methods and Compositions for Suppressing Growth of Algae	United States	6,391,619

(2) Trademarks

The Group is the registered proprietor and beneficial owner of the following trademarks:

Trademark	Place of registration	Class	Registration number	Next renewal
NutriSmart	Australia	1[(1)]	864015	24 January 2011
NutriSmart	Indonesia	1[(1)]	494417	24 July 2010
NutriSmart	Japan	1[(1)]	4526597	30 November 2011
	China	31[(2)]	1658597	27 October 2011
	United Kingdom	1[(1)]	2271069	25 May 2011
WonderTreat	Australia	1[(3)]	886435	20 August 2011
WonderTreat	Australia	40[(4)]	886435	20 August 2011
WonderTreat	Australia	5[(5)]	886435	20 August 2011
VITAGAIN	Australia	32[(6)]	892928	23 October 2011
VITAGAIN	Australia	5[(7)]	892928	23 October 2011

In addition, Declaration of Ownership (IV/2260/2001) with respect to “NutriSmart” for fertiliser International Class 1 has been registered with the Office of the Registrar of Deeds and Assurances in Myanmar since at present there is no system of trade mark registration in Myanmar and registration of Declaration of Ownership is a pre-condition for taking infringement proceedings in Myanmar.

As at 25 June 2002, the Group had also applied for the trademark registration of the following trademarks:

Trademark	Place of application	Class	Application number	Application date
唯特淨 / 唯特净	Hong Kong	1[3]	14115/2001	29 August 2001
唯特淨 / 唯特净	Hong Kong	40[4]	14117/2001	29 August 2001
唯特淨 / 唯特净	Hong Kong	5[5]	14116/2001	29 August 2001
唯特淨	Taiwan	1[3]	90034649	21 August 2001
唯特淨	Taiwan	40[4]	90034647	21 August 2001
唯特淨	Taiwan	5[5]	90034650	21 August 2001
WONDERTREAT	Benelux	1[3]	1003695	21 January 2002
WONDERTREAT	Benelux	40[4]	1003695	21 January 2002
WONDERTREAT	Benelux	5[5]	1003695	21 January 2002
WonderTreat	Hong Kong	1[3]	17670/2001	30 October 2001
WonderTreat	Hong Kong	40[4]	17672/2001	30 October 2001
WonderTreat	Hong Kong	5[5]	17671/2001	30 October 2001
WONDERTREAT	Malaysia	1[3]	2001-14348	1 November 2001
WONDERTREAT	Malaysia	40[4]	2001-14347	1 November 2001
WONDERTREAT	Malaysia	5[5]	2001-14349	1 November 2001
WONDERTREAT	United States	1[3]	76/303,059	21 August 2001
WONDERTREAT	United States	40[4]	76/303,059	21 August 2001
WONDERTREAT	United States	5[5]	76/303,059	21 August 2001
WonderTreat	Thailand	1[3]	482197	7 March 2002
WonderTreat	Thailand	40[4]	482198	7 March 2002
(1) WonderTreat (in colour) (2) WonderTreat (in black and white) (3) WONDERTREAT (in black and white)	United Kingdom	1[3]	2295165A	12 March 2002

Trademark	Place of application	Class	Application number	Application date
(1) WonderTreat (in colour) (2) WonderTreat (in black and white) (3) WONDERTREAT (in black and white)	United Kingdom	40(4)	2295165A	12 March 2002
(1) WonderTreat (in colour) (2) WonderTreat (in black and white) (3) WONDERTREAT (in black and white)	United Kingdom	5(5)	2295165A	12 March 2002
WONDERTREAT	United Kingdom	1(3)	2295165B	12 March 2002
WONDERTREAT	United Kingdom	40(4)	2295165B	12 March 2002
WONDERTREAT	United Kingdom	5(5)	2295165B	12 March 2002
NUTRISMART	Canada	1(1)	1092172	8 February 2001
NutriSmart	China	1(1)	pending	8 May 2002
NUTRISMART	Ghana	1(1)	pending	21 November 2001
NutriSmart	Hong Kong	1(1)	5133/2002	15 April 2002
NutriSmart	Malaysia	1(1)	2001-01235	2 February 2001
NutriSmart	Philippines	1(1)	4-2002-0001425	18 February 2002
NutriSmart	Taiwan	1(1)	91001472	14 January 2002
NutriSmart	Thailand	1(1)	450100	2 April 2001
NutriSmart	United States	1(1)	76/202,093	29 January 2001
NutriSmart	Vietnam	1(1)	NH4-2001-01052	12 March 2001
NutriSmart	Ghana	1(1)	32266	21 November 2001
NutriSmart	Thailand	1(1)	476929	9 January 2002
VITAGAIN	China	32(6)	3067891	14 January 2002
VITAGAIN	China	5(7)	3006677	29 October 2001
VITAGAIN	Hong Kong	32(6)	17246/2001	23 October 2001

Trademark	Place of application	Class	Application number	Application date
VITAGAIN	Hong Kong	5(7)	17245/2001	23 October 2001
VITAGAIN	Malaysia	32(6)	2001-14795	13 November 2001
VITAGAIN	Malaysia	5(7)	2001-14796	13 November 2001
VITAGAIN	Philippines	32(6)	4-2001-08236	5 November 2001
VITAGAIN	Philippines	5(7)	4-2001-08236	5 November 2001
VITAGAIN	Taiwan	32(6)	90045705	7 November 2001
VITAGAIN	Taiwan	5(7)	90045704	7 November 2001
VITAGAIN	Thailand	32(6)	471413	8 November 2001
VITAGAIN	Thailand	5(7)	471412	8 November 2001
卫达康	China	32(6)	3067890	14 January 2002
卫达康	China	5(7)	2001193331	18 October 2001
衛達康/卫达康	Hong Kong	32(6)	00419/2002	11 January 2002
衛達康/卫达康	Hong Kong	5(7)	15186/2001	18 September 2001
衛達康	Taiwan	5(7)	91001823	16 January 2002
	Australia	1(1)	909448	15 April 2002
	Hong Kong	1(1)	5132/2002	15 April 2002
	Indonesia	1(1)	D00-2002 10880-10999	30 May 2002
	Philippines	1(1)	4-2002-005139	18 April 2002
	Malaysia	1(1)	2002-04478	23 April 2002
	Thailand	1(1)	476930	9 January 2002
	Taiwan	1(1)	91014206	16 April 2002

Trademark	Place of application	Class	Application number	Application date
	USA	1(1)	76/398912	23 April 2002
	Vietnam	1(1)	4-2002-02534	8 May 2002
長江生命科技	Hong Kong	35(8)	392/2002	11 January 2002
長江生命科技	Hong Kong	42(9)	393/2002	11 January 2002
CK Life Sciences	Hong Kong	35(8)	394/2002	11 January 2002
CK Life Sciences	Hong Kong	42(9)	395/2002	11 January 2002
	Hong Kong	35(8)	390/2002	11 January 2002
	Hong Kong	42(9)	391/2002	11 January 2002
AgiPro	Australia	5(10)	pending	24 June 2002
AgiPro	Australia	31(11)	pending	24 June 2002
AgiPro	China	5(10)	pending	24 June 2002
AgiPro	China	31(11)	pending	24 June 2002
AgiPro	France	5(10)	023170948	25 June 2002
AgiPro	France	31(11)	023170948	25 June 2002
AgiPro	Indonesia	5(10)	D00-2002 13422-13564	25 June 2002
AgiPro	Indonesia	31(11)	D00-2002 13423-13565	25 June 2002
AgiPro	Japan	5(10)	2002-052741	25 June 2002
AgiPro	Japan	31(11)	2002-052741	25 June 2002
AgiPro	Korea (South)	5(10)	2002-29326	25 June 2002
AgiPro	Korea (South)	31(11)	2002-29326	25 June 2002
AgiPro	Malaysia	5(10)	pending	25 June 2002

Trademark	Place of application	Class	Application number	Application date
AgiPro	Malaysia	31(11)	pending	25 June 2002
AgiPro	Taiwan	5(10)	91025984	25 June 2002
AgiPro	Taiwan	31(11)	91025985	25 June 2002
AgiPro	Thailand	5(10)	pending	25 June 2002
AgiPro	Thailand	31(11)	pending	25 June 2002
AGIPRO agipro AgiPro	United Kingdom	5(10)	pending	25 June 2002
AGIPRO agipro AgiPro	United Kingdom	31(11)	pending	25 June 2002

The following trademark applications were made in the name of Wondergrow (Isle of Man) Ltd (a member of the Cheung Kong Group). The Group is in the process of preparing an assignment of the rights in the subject trademarks (including in the applications and (if and when granted) the registrations) to the Group on an arm's length basis:

Trademark	Place of application	Class	Application number	Application date
唯特淨	China	1(3)	2001154105	22 August 2001
唯特淨	China	40(4)	2001154107	22 August 2001
唯特淨	China	5(5)	2001154106	22 August 2001
	China	1(1)	2001074519	8 May 2001

Notes: The following is a brief general description of the goods and services covered by the trademark registrations and applications:

(1) fertiliser

(2) animal foodstuffs; fodder; additives to fodder, not for medical purposes; grains; plants; trees; dried or natural flowers; unprocessed timber

(3) biological compositions that compose yeast for treatment of solid and liquid waste

(4) waste treatment, processing, recycling and destruction services

(5) air freshening preparations, air purifying preparations, depuratives, feculence sterilizing preparations

(6) non-alcoholic drinks and preparations for making beverages

(7) health food and nutritional supplements

(8) product marketing; promotional marketing; provision of marketing information; all relating to biotech products

(9) biological and biotechnology development and research services; cell separation technology services

(10) animal feed additives (medicated); nutritional additives for animal feed (medicated)

(11) animal feed; animal feed additives (non-medicated); nutritional additives for animal feed (other than for medical use)

(3) Domain names

The Group is the registrant of the following domain names:

Domain name	Registrant	Registration date	Expiry date
agi-pro.biz	CK Life Sciences Int'l., Inc.	24 June 2002	23 June 2004
agi-pro.com	CK Life Sciences Int'l., Inc.	21 June 2002	21 June 2004
bio-fertiliser.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
biofertiliser.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
bio-fertiliser.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
bio-techlab.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
biotech-lab.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
biotech-lab.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
biotechnologylab.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
biotech-world.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
bio-world.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
bio-world.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cheungkongtechnology.info	CK Life Sciences Int'l., Inc.	18 September 2001	18 September 2003
ckbiotech.com	CK Life Sciences Int'l., Inc.	12 July 2001	12 July 2004
ck-biotech.com	CK Life Sciences Int'l., Inc.	12 July 2001	12 July 2004
ckitech.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
ckitechnology.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cklifesciences.biz	CK Life Sciences Int'l., Inc.	21 March 2002	20 March 2004
ck-lifesciences.biz	CK Life Sciences Int'l., Inc.	21 March 2002	20 March 2004
cklifesciences.com	CK Life Sciences Int'l., Inc.	12 July 2001	12 July 2004
ck-lifesciences.com	CK Life Sciences Int'l., Inc.	12 July 2001	12 July 2004
cklifesciences.info	CK Life Sciences Int'l., Inc.	21 March 2002	21 March 2004
ck-lifesciences.info	CK Life Sciences Int'l., Inc.	21 March 2002	21 March 2004
cklifesciences.net	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
ck-lifesciences.net	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
cklifesciences.org	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
ck-lifesciences.org	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
cklifesciences.tv	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
ck-lifesciences.tv	CK Life Sciences Int'l., Inc.	20 March 2002	20 March 2004
ckt.info	CK Life Sciences Int'l., Inc.	18 September 2001	18 September 2003
ck-technology.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cktechnology.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
ck-technology.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cktechnology.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
ck-technology.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cktechnology-inc.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cktechnology-inc.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
cktechnology-inc.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004

Domain name	Registrant	Registration date	Expiry date
cktii.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
eco-feed.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
eco-feed.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
ecofertiliser.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
eco-fertiliser.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
ecofertiliser.com	CK Life Sciences Int'l., Inc.	21 March 2002	21 March 2004
eco-fertiliser.com	CK Life Sciences Int'l., Inc.	21 March 2002	21 March 2004
ecofertilizer.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
eco-fertilizer.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
ecofertilizer.com	CK Life Sciences Int'l., Inc.	15 September 2000	15 September 2002
eco-fertilizer.com	CK Life Sciences Int'l., Inc.	15 September 2000	15 September 2002
fertismart.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
fertismart.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
lifesciencesinstitute.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
lifesciences-institute.com	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
lifesciences-institute.net	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
lifesciences-institute.org	CK Life Sciences Int'l., Inc.	13 January 2000	13 January 2004
nutri-smart.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
nutri-smart.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
vitagain.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
vitagain.com	CK Life Sciences Int'l., Inc.	4 March 2002	4 March 2004
wonder-clean.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
wonder-clean.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
wonderfeed.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
wonder-feed.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
wonderfeed.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
wonder-feed.com	CK Life Sciences Int'l., Inc.	4 December 2000	4 December 2002
wonder-health.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
wonder-health.com	CK Life Sciences Int'l., Inc.	4 March 2002	4 March 2004
wondertreat.biz	CK Life Sciences Int'l., Inc.	22 March 2002	21 March 2004
wondertreat.com	CK Life Sciences Int'l., Inc.	5 September 2001	5 September 2003
ck-lifesciences.com.hk	CK Life Sciences Limited	29 March 2002	29 March 2005
cklifesciences.com.hk	CK Life Sciences Limited	29 March 2002	29 March 2005

Further information about Directors, senior management and staff

Directors

(a) Disclosure of Interests

Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of Shares which may be taken up pursuant to the Share Offer and the Shares to be issued pursuant to the exercise of Over-allotment Option, the interests of the Directors in the shares and debentures of the Company and its associated corporations (within the meaning of the SDI

Ordinance) which will be required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

Number of Ordinary Shares

Name of company	Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total
Company	Li Tzar Kuoi, Victor	—	—	—	2,820,008,571 *(Note)*	2,820,008,571

Note: The 2,820,008,571 Shares will be held by Gold Rainbow. Gold Rainbow is wholly-owned by Gotak Limited ("Gotak") and Gotak is in turn wholly-owned by Cheung Kong. 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. 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 and thus will be taken to be interested in those 2,820,008,571 Shares held by Gold Rainbow as mentioned above.

(b) Immediately following completion of the Capitalisation Issue and the Share Offer, in addition to the interests disclosed above under the paragraph "Directors" above, so far as is known to the Directors and taking no account of Shares which may be taken up pursuant to the Share Offer, and the Shares to be issued pursuant to the exercise of the Over-allotment Option, the persons who will be interested or deemed to be interested under the SDI Ordinance in 10% or more of the Shares then in issue are:

(i) Gold Rainbow. Gold Rainbow will hold 2,820,008,571 Shares, representing approximately 44.02% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer;

(ii) Gotak Limited ("Gotak"). As Gold Rainbow is wholly-owned by Gotak, Gotak will be deemed to be interested in the same block of 2,820,008,571 Shares, representing approximately 44.02% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance;

(iii) Cheung Kong. As Gotak is wholly-owned by Cheung Kong, Cheung Kong will be deemed to be interested in the same block of 2,820,008,571 Shares, representing approximately 44.02% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance;

(iv) Trueway. Trueway will hold 1,410,004,286 Shares, representing approximately 22.01% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer;

(v) Tangiers. As Trueway is wholly-owned by Tangiers, Tangiers will be deemed to be interested in the same block of 1,410,004,286 Shares held by Trueway under the SDI Ordinance. In addition, as Triluck is also wholly-owned by Tangiers, Tangiers will also be deemed to be interested in the same block of 470,001,429 Shares held by Triluck, representing approximately 7.33% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance. Thus Tangiers will be deemed to be interested in a total of 1,880,005,715 Shares, representing approximately 29.34% of the issued share capital of the Company, immediately following completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance;

(vi) Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and TUT as trustee of the LKS Unity Trust. Each of them will be deemed to be interested in the same block of 2,820,008,571 Shares in which Cheung Kong will be deemed to be interested as described in (iii) above, representing approximately 44.02% of the issued share capital of the Company, immediately following the completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance, on the basis that, as at the Latest Practicable Date:

(1) TUT as trustee of the LKS Unity Trust is taken to have an interest of more than one-third of the issued share capital of Cheung Kong under the SDI Ordinance. Thus, under the SDI Ordinance, TUT as trustee of the LKS Unity Trust will be deemed to be interested in the same number of Shares in which Cheung Kong will be deemed to be interested.

(2) All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as the trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. Under the SDI Ordinance, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust will be deemed to be interested in the same number of Shares in which Cheung Kong will be deemed to be interested.

(3) 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, Li Ka-Shing Unity Holdings Limited will be deemed to be interested in the same number of Shares in which Cheung Kong will be deemed to be interested.

(4) Mr. Li Ka-shing owns more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited. Under the SDI Ordinance, Mr. Li Ka-shing will thus have a deemed interest in the same number of Shares in which Cheung Kong will be deemed to be interested.

(vii) Mr. Li Ka-shing. As Tangiers is wholly-owned by Mr. Li Ka-shing, he will, in addition to the interest referred to in (vi) above, be deemed to be interested in the same block of 1,880,005,715 Shares (representing approximately 29.34% of the issued share capital of the Company) immediately following the completion of the Capitalisation Issue and the Share Offer under the SDI Ordinance. Thus, under the SDI Ordinance, Mr. Li Ka-shing will be deemed to be interested in a total of 4,700,014,286 Shares immediately following the completion of the Capitalisation Issue and the Share Offer and assuming the Over-allotment Option is not exercised, representing approximately 73.36% of the then issued share capital of the Company.

(c) Each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond, by virtue of his directorship of Cheung Kong, is or may be considered to be interested in the steps of reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM and in related transactions and arrangements.

(d) Each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Dr. Pang Shiu Fun, by virtue of his interests in shares of Cheung Kong, is or may be considered to be interested in the steps of reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM and in related transactions and arrangements.

(e) Mr. Li Tzar Kuoi, Victor is or may be considered to be interested in the receiving banker's agreement entered into between the Company and The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), one of the receiving bankers in relation to the Share Offer, by virtue of his directorship in HSBC. HSBC shall receive a fee for its services rendered as a receiving banker to the Share Offer.

Directors' remuneration

The Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the Directors under their remuneration package; and

(iii) the executive Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of their remuneration package.

Approximately HK$12,209,000 as emoluments was paid to the Directors by the Group in respect of the financial year ended 31 December 2001 pursuant to the present arrangement. Further information in relation to Directors' remuneration is set out in Appendix I to this prospectus.

None of the Directors or any past directors of any member of the Group has been paid any sum of money for the financial year ended 31 December 2001 (a) as an inducement to join or upon joining the Company or (b) for loss of office as a director of any member of the Group or of any other notice in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the financial year ended 31 December 2001.

Save as disclosed in Appendix I, no Director received any remuneration or benefits in kind from the Group for the financial year ended 31 December 2001. Particulars of emoluments paid to the five persons who received the highest emoluments from the Group for the financial year ended 31 December 2001 are set out in Note 9 to the Accountants' Report set out in Appendix I.

Disclaimers

Save as disclosed herein:

(a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on GEM;

(b) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(d) none of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(e) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus; and

(g) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally (such conditions as set out in paragraph (22) below) approved by written resolutions of the Shareholders on 26 June 2002:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option 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.

(2) Who may join

The Board may, at its discretion, invite (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) biotechnical, scientific, technical, financial and legal professional advisers engaged by the Company or any of its subsidiaries or associated companies (together, the "Participants" and each a "Participant"), to take up options at HK$1.00 per option to subscribe for Shares at a price calculated in accordance with sub-paragraph (5) below. Unless otherwise determined by the Board, no performance targets is required to be achieved before an Option can be exercised.

(3) Grant of option

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year or quarter-year period; and (ii) the deadline for the Company to publish announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules; and ending on the date of the results announcement, no option should be granted.

(4) 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.

(5) Price of Shares

The subscription price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be no less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet 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") and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer; and (c) the nominal value of a Share.

(6) Maximum number of Shares available for subscription

(a) The Company may seek approval of its Shareholders in general meeting to authorize the Directors to grant options under the Share Option Scheme and any other share option schemes of the Company entitling the grantees to exercise up to an aggregate of 10% (the "Scheme Mandate Limit") of the total number of Shares in issue immediately following completion of the Share Offer (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)) unless the Company obtains a fresh approval from its Shareholders pursuant to sub-paragraph (b) below. Options lapsed shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(b) The Company may seek approval of its Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% (the "Renewal Limit") of the issued share capital of the Company at the date of approval to renew such limit (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares mentioned in (i)). Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Renewal Limit.

(c) The Company may grant options to specified Participant(s) beyond the Scheme Mandate Limit or Renewal Limit if the grant of such options is specifically approved by the Shareholders in general meeting.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)). Options lapsed shall not be counted for the purpose of calculating the aforesaid 30% limit.

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option 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 option shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the Shareholders in general meeting at which such Participant and his associates shall abstain from voting.

(7) Requirements on granting options to connected persons

Any grant of options to a Participant who is a Director, chief executive, management shareholder or substantial shareholder (each as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) must be approved by the independent non-executive directors of the Company (excluding the independent non-executive director who is a relevant grantee).

Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive director of the Company or any of their respective associates and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of the Company (including option exercised and outstanding) to such Participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date"):

(i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders on poll in general meeting with the Participant concerned and all other connected persons (as defined in the GEM Listing Rules) of the Company abstaining from voting (except that any connected person (as so defined) may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders).

(8) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than ten years to be notified by the Board to each grantee 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 Share Option 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.

(9) Rights are personal to grantee

An option may not be transferred or assigned and is personal to the grantee.

(10) Rights on ceasing employment

If the grantee of an option ceases to be a Participant for any reason other than death or termination of his employment or engagement on one or more grounds as specified in paragraph (16)(d), the option granted to such grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of the Board in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant.

(11) Rights on death

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his employment or engagement under paragraph (16)(d) arises, his personal representative(s) shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which it has become exercisable and not already exercised).

(12) Effects of alterations to capital

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital in the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by the independent financial advisers or the auditors for the time being of the Company as fair and reasonable in their opinion either generally or as regards any particular grantee will be made in the subject matter of the option so far as unexercised, including the subscription price and/or the number of securities subject to options already granted and/or to the Scheme, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares in the capital of the Company as consideration in a transaction to which the Company is a party.

(13) Rights on take-over

If a general offer by way of take-over is made to all the holders of Shares (other than by way of scheme of arrangement) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant option period, the grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice.

(14) Rights on a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the grantee (or his personal representatives) may thereafter (but only until such time as shall be notified by the Company, after when it shall lapse) exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the notice.

(15) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(16) Lapse of Option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of the periods referred to in sub-paragraph (10) or (11) respectively;

(c) subject to the scheme of arrangement becoming effective, the expiry of the periods referred to in sub-paragraph (13) or (14);

(d) subject to the expiry of the period of extension, the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (e);

(e) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

(f) the date of the commencement of the winding-up of the Company;

(g) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme; or

(h) the date on which the option is cancelled by the Board as set out in sub-paragraph (18).

(17) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(18) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option. Where the Company cancels Options and offers new Options to the same Option holder, the offer of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Option) within the limit approved by the Shareholders as mentioned in paragraph (6) above.

(19) Period of Share Option Scheme

The Share Option Scheme will remain valid for a period of ten years commencing on 26 June 2002 after which period no further options will be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(20) Alteration to Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provision relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with grantees and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature or change the authority of the Board, must be approved by the Stock Exchange and Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(21) Termination

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(22) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on (a) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and granting listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme; (b) the commencement of dealings in Shares on GEM; (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise; and (d) the Share Option Scheme being approved by the shareholders of Cheung Kong at its general meeting[(1)].

Application has been made to the GEM Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

Note:

(1) A notice to convene an extraordinary general meeting of Cheung Kong to be held on 10 July 2002 (the "EGM") has been issued on 24 June 2002 to seek the approval of the Share Option Scheme from the shareholders of Cheung Kong. An announcement on the outcome of the EGM will be made by both the Company and Cheung Kong after conclusion of the EGM.

OTHER INFORMATION

Estate duty and tax indemnity

Each of Cheung Kong, Gold Rainbow, Trueway and Triluck (the "Indemnifying Parties") has pursuant to two deeds of indemnity referred to in the sub-section headed "Summary of material contracts" under the section headed "Further information about the business of the Group" in this appendix, given certain indemnities in connection with, among others, any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional (other than taxation payable by any member of the Group chargeable in respect of profits or gains made in the ordinary course of their businesses since 31 March 2002), as well as certain taxation claims under certain estate duty legislation.

The Indemnifying Parties will however, not be liable under the deeds of indemnity for taxation where (1) provision or allowance has been made for such taxation in the audited accounts of the Company or the audited accounts of any member of the Group for the two years and three months ended 31 March 2002 (the "Accounts"); (2) the taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the deeds of indemnity; (3) the taxation or liability would not have arisen but for any act, transaction, omission or delay by any member of the Group voluntarily carried out after the date of the deeds of indemnity (other than pursuant to a legally binding commitment created on or before the date of the deeds of indemnity) without the acquiescence of any of the Indemnifying Parties, and otherwise than in the ordinary course of business; and (4) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the BVI, Mauritius, Isle of Man or Indonesia, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

Address for service of process and notices

Mr. Kam Hing Lam has been nominated as the authorised person to accept service of process and notices of the Company. The address for service of process and notices is 9th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Sponsor

Salomon Smith Barney has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options to be granted under the Share Option Scheme).

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$3,000 and are payable by the Company.

Promoter

The promoter of the Company is Cheung Kong, incorporated on 8 June 1971 in Hong Kong. As at the Latest Practicable Date, the issued share capital of Cheung Kong was HK$1,158,082,169 divided into 2,316,164,338 shares of HK$0.50 each which are fully paid or credited as fully paid. Cheung Kong's current directors, principal bankers and auditors are as follows:

Directors of the promoter

LI Ka-shing, *Chairman*

LI Tzar Kuoi, Victor, *Managing Director and Deputy Chairman*

George Colin MAGNUS, *Deputy Chairman*

KAM Hing Lam, *Deputy Managing Director*

CHUNG Sun Keung, Davy, *Executive Director*

IP Tak Chuen, Edmond, *Executive Director*

PAU Yee Wan, Ezra, *Executive Director*

WOO Chia Ching, Grace, *Executive Director*

CHIU Kwok Hung, Justin, *Executive Director*

LEUNG Siu Hon, *Independent Non-executive Director*

FOK Kin-ning, Canning, *Non-executive Director*

Frank John SIXT, *Non-executive Director*

CHOW Kun Chee, Roland, *Independent Non-executive Director*

WONG Yick-ming, Rosanna, *Independent Non-executive Director*

HUNG Siu-lin, Katherine, *Non-executive Director*

YEH Yuan Chang, Anthony, *Independent Non-executive Director*

CHOW Nin Mow, Albert, *Non-executive Director*

Simon MURRAY, *Independent Non-executive Director*

KWOK Tun-li, Stanley, *Independent Non-executive Director*

Principal bankers of the promoter

The Hongkong and Shanghai Banking Corporation Limited

Bank of China

Canadian Imperial Bank of Commerce

BNP Paribas

JPMorgan Chase Bank

Bank of America

The Bank of Tokyo - Mitsubishi, Limited

Sumitomo Mitsui Banking Corporation

Citibank, N.A.

Auditors of the promoter

Deloitte Touche Tohmatsu

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Salomon Smith Barney	Registered investment adviser and securities dealer
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuers
Maples and Calder Asia	Cayman Islands attorneys-at-law

Consents of experts

Each of Salomon Smith Barney, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Maples and Calder Asia has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

Advisory fees or commissions received

The Underwriters will receive an underwriting commission and advisory fee as referred to in the paragraph "Commission and expenses" under the section headed "Underwriting".

Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note (24) of the section headed "Related Party Transactions" of the Accountants' Report set out in Appendix I, and the paragraph headed "Waiver in Respect of the Continuing Connected Transactions" under the section headed "Waivers from Strict Compliance with the GEM Listing Rules" and the paragraph headed "Connected Transactions" under the section headed "Relationship with Major Shareholders" respectively.

Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and

(d) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

None of Salomon Smith Barney, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Maples and Calder Asia:

(a) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

No company within the Group is presently listed on any stock exchange or traded on any trading system.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **BLUE** application forms, a copy of the ESP Application Form, the written consents referred to under "Consents of experts" in Appendix IV, the statement of adjustments and copies of the material contracts referred to under "Summary of material contracts" in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo, 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I, together with the statement of adjustments;

(c) the audited financial statements of relevant companies in the Group (as set out in the Accountants' Report in Appendix I) for each of the two years ended 31 December 2001;

(d) the letter, summary of values and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Ltd., the text of which are set out in Appendix II;

(e) the letter prepared by Maples and Calder Asia summarising certain aspects of Cayman Islands company law referred to in Appendix III;

(f) the Companies Law;

(g) the rules of the Share Option Scheme;

(h) the material contracts referred to under "Summary of material contracts" in Appendix IV; and

(i) the written consents referred to under "Consents of experts" in Appendix IV.