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

長 江 生 命 科 技 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

MAJOR TRANSACTION

in respect of
the acquisition of the entire issued share capital of
Lipa Pharmaceuticals Limited

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the website of the Company at www.ck-lifesciences.com.

20 October 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

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

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

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

CONTENTS

In this circular, the following expressions have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the Scheme Shares as contemplated in the Agreement
"Agreement"	the scheme implementation agreement dated 3 August 2007 and entered into during the pre-opening session of the trading hours of the Stock Exchange between CK Life Sciences Int'l., Inc. as purchaser and Lipa in relation to the Scheme
"associate(s)", "connected person(s)" and "substantial shareholder(s)"	shall have the same meaning(s) ascribed to them in the GEM Listing Rules (as may be amended from time to time)
"AUD"	the lawful currency of Australia
"Board"	the board of directors of the Company
"CKH"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. Cheung Kong (Holdings) Limited is an indirect substantial shareholder of the Company
"Company"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
"Completion"	completion of the Acquisition
"Directors"	the directors of the Company
"Enlarged Group"	Lipa and the Group
"GAAP"	generally accepted accounting principles
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"Gold Rainbow"	Gold Rainbow Int'l Limited, an investment holding company incorporated in the British Virgin Islands
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Latest Practicable Date"	17 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Lipa"	Lipa Pharmaceuticals Limited, a company incorporated under the laws of Australia, the shares of which are listed on ASX Limited (Lipa is referred to as Target Co in Appendices II and III)
"Model Code"	Model Code on Securities Transactions by Directors adopted by the Company
"Purchaser"	CK Life Sciences Int'l., Inc., an indirect wholly-owned subsidiary of the Company, or any other company within the Group
"Scheme"	the scheme of arrangement between Lipa and its shareholders which, if implemented, will give effect to the acquisition of Lipa by the Purchaser
"Scheme Shares"	the shares of Lipa in issue as at 5.00 pm on the fifth business day following the Second Court Hearing Date or such other date as Lipa and the Purchaser may agree in writing other than any such shares held by the Group
"Second Court Hearing Date"	the first day on which an application made to the Court of Australia for an order approving the Scheme is heard
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)" or "Member(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Triluck"	Triluck Assets Limited, a company incorporated in the British Virgin Islands
"Trueway"	Trueway International Limited, a company incorporated in the British Virgin Islands

For the purpose of illustration only, AUD to HK$ is translated at a rate of AUD1.00 = HK$6.6655 throughout this circular.

Unless otherwise stated, a reference to any time contained in this circular is a reference to that time in Sydney, Australia.

CK Life Sciences Int'l., (Holdings) Inc.
長江生命科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8222)

Board of Directors
Executive Directors
LI Tzar Kuoi, Victor *Chairman*
KAM Hing Lam *President and Chief Executive Officer*
IP Tak Chuen, Edmond *Senior Vice President and Chief Investment Officer*
YU Ying Choi, Alan Abel *Vice President and Chief Operating Officer*
CHU Kee Hung *Vice President and Chief Scientific Officer*

Non-executive Directors
Peter Peace TULLOCH *Non-executive Director*
WONG Yue-chim, Richard *Independent Non-executive Director*
KWOK Eva Lee *Independent Non-executive Director*
Colin Stevens RUSSEL *Independent Non-executive Director*

Company Secretary
Eirene YEUNG

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2 Queen's Road Central
Hong Kong

20 October 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

in respect of
the acquisition of the entire issued share capital of
Lipa Pharmaceuticals Limited

INTRODUCTION

The Directors refer to the announcement of the Company dated 3 August 2007 in relation to the Agreement entered into between CK Life Sciences Int'l., Inc., an indirect wholly-owned subsidiary of the Company, and Lipa, which is and the ultimate beneficial owners of which are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons whereby CK Life Sciences Int'l., Inc. agreed to acquire (or to procure another group company to acquire) the Scheme Shares at a consideration of AUD0.95 (approximately HK$6.33) per Scheme Share in cash. The total consideration for the Acquisition will be approximately AUD91.13 million (approximately HK$607.43 million). The purpose of this circular is to give you further information in relation to the Acquisition.

THE AGREEMENT

Date: 3 August 2007

Parties: (i) The Purchaser

(ii) Lipa

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lipa is a limited liability company incorporated under the laws of Australia and the shares of which are listed on ASX Limited and Lipa and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

ASSETS TO BE ACQUIRED

The Scheme Shares.

The Purchaser will acquire the Scheme Shares pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) of Australia. Under the Scheme, all the Scheme Shares will be transferred to the Purchaser and the participants of the Scheme will be entitled to receive consideration per Scheme Share held. Lipa will not issue any new Shares for the Acquisition. As at the Latest Practicable Date, there were 95,573,284 shares of Lipa in issue and 225,000 share options were granted to non-executive directors of Lipa which will be cancelled immediately upon the Scheme becoming effective. There were 357,573 performance share rights granted to executives of Lipa entitling holders of such rights to acquire shares of Lipa upon meeting certain performance target. These performance share rights will be fully converted into ordinary shares of Lipa prior to the implementation of the Scheme. Save as the aforesaid, there were no other outstanding options, warrants, derivatives or other convertible securities issued by Lipa as at the Latest Practicable Date. Upon Completion, Lipa will become a wholly-owned subsidiary of the Company and its accounts will be consolidated into that of the Group, and the listing of the shares of Lipa on ASX Limited will be withdrawn.

CONSIDERATION

The consideration is AUD0.95 (approximately HK$6.33) per Scheme Share. The total consideration for the Acquisition will be approximately AUD91.13 million (approximately HK$607.43 million).

The consideration per Scheme Share represents a premium of approximately 18.8% to the closing price per Lipa share of AUD0.800 (approximately HK$5.33) on 2 August 2007 (being the last trading day prior to the date of the Agreement) as quoted on ASX Limited, a premium of approximately 18.2% to the average closing price per Lipa share of approximately AUD0.804 (approximately HK$5.36) as quoted on ASX Limited for the last 5 trading days up to and including 2 August 2007, and a premium of approximately 18.1% to the average closing price per Lipa share of approximately AUD0.8045 (approximately HK$5.36) as quoted on ASX Limited for the last 10 trading days up to and including 2 August 2007.

The Company has sufficient internal resources to fully satisfy the total consideration for the Acquisition but the Company may consider obtaining financing from other sources, such as bank borrowings, for other purposes such as hedging and tax structuring purposes.

CONDITIONS

Implementation of the Scheme is conditional upon the satisfaction or waiver of various conditions including:

(a) **Regulatory approvals**: before 8.00 am on the Second Court Hearing Date, Australian Securities and Investments Commission and ASX Limited issue or provide such consents or approvals or do other acts which are necessary or desirable to implement the Scheme;

(b) **Restraints**: no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other material legal restraint or prohibition preventing the Scheme is in effect as at 8.00 am on the Second Court Hearing Date;

(c) **No Lipa prescribed event**: no certain prescribed event (as listed out in the Agreement) occurs between the date of the Agreement and 8.00 am on the Second Court Hearing Date;

(d) **Independent expert report**: an independent expert appointed by Lipa issues its report which concludes that the Scheme is in the best interests of Scheme participants before the date on which the Scheme booklet is lodged with Australian Securities and Investments Commission;

(e) **No termination**: the Agreement has not been terminated before 8.00 am on the Second Court Hearing Date;

(f) **Index**: the S&P ASX200 index does not close below 15% from the level at which it closes on the date of the Agreement for more than 5 consecutive business days during the period between the date of the Agreement and 8.00 am on the Second Court Hearing Date;

(g) **Orders convening meeting**: a court in New South Wales of competent jurisdiction orders the convening of the Scheme meeting, under section 411(1) of the Australia Corporations Act;

(h) **Scheme participant approval**: the Scheme is approved at the Scheme meeting by the requisite majorities of Scheme participants in accordance with the Australia Corporations Act;

(i) **Court approval**: a court in New South Wales of competent jurisdiction approves the Scheme in accordance with section 411(4)(b) of the Australia Corporations Act;

(j) **No material adverse effect**: from the date of the Agreement until 8.00 am on the Second Court Hearing Date, no material adverse effect (as defined in the Agreement) occurs; and

(k) **Options**: the options to subscribe for Lipa shares granted to the non-executive directors of Lipa have been cancelled by no later than the date of lodgement of the Scheme booklet with Australian Securities and Investments Commission.

Other than conditions precedent (a), (g), (h), (i) and (k) which cannot be waived, if any condition precedent above is not satisfied or waived by the date specified (or becomes incapable of being satisfied by that date, and is not waived), or if the Scheme is not effective by 31 December 2007 or such other date as the parties may agree in writing, then the parties will consult in good faith to determine alternative means or to extend the date, failing which, the Agreement may be terminated. The court order and approval referred to in the conditions precedent above are required to effect the Scheme under sections 411(4)(b) and 411(6) of the Corporations Act of Australia.

As at the Latest Practicable Date, conditions precedent (d) and (g) had been satisfied.

INFORMATION ON LIPA

Lipa is a company incorporated under the laws of Australia and is listed on the ASX Limited. The principal activities of Lipa are the contract manufacturing of complementary healthcare medicines, including herbal medicines, vitamins and nutritional supplements, as well as the production of non-sterile prescription and over-the-counter medicines. Its principal place of business is in Australia.

The Group has taken into account the following factors in determining the consideration for the Acquisition, which was arrived at after arm's length negotiations between the parties: (i) the economic benefits of the transaction to the Group; (ii) the future prospects of the business of Lipa; (iii) the synergistic effects and strategic value of Lipa on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group.

Based on the accounts of Lipa as at 30 June 2007, the audited net asset value of Lipa was approximately AUD39.02 million (approximately HK$260.06 million) and as at 31 December 2006, the unaudited net asset value of Lipa was approximately AUD38.36 million (approximately HK$255.69 million). The audited net profits before taxation and extraordinary items of Lipa for the three years ended 30 June 2005, 2006 and 2007 were approximately AUD14.53 million (approximately HK$96.85 million), approximately AUD8.49 million (approximately HK$56.59 million) and approximately AUD7.14 million (approximately HK$47.57 million) respectively. The unaudited net profits before taxation and extraordinary items of Lipa for the six months ended 31 December 2005 and 2006 were approximately AUD4.90 million (approximately HK$32.66 million) and approximately AUD3.66 million (approximately HK$24.40 million) respectively. The respective audited net profits after taxation and extraordinary items of Lipa for the three years ended 30 June 2005, 2006 and 2007 were approximately AUD9.96 million (approximately HK$66.39 million), approximately AUD5.87 million (approximately HK$39.13 million) and approximately AUD5.11 million (approximately HK$34.05 million). The respective unaudited net profits after taxation and extraordinary items of Lipa for the six months ended 31 December 2005 and 2006 were approximately AUD3.40 million (approximately HK$22.66 million) and approximately AUD2.56 million (approximately HK$17.06 million). The above accounts were prepared under the Australian GAAP.

There was no prior transaction or relationship between the Group and Lipa and its ultimate beneficial owner(s) that requires aggregation under Rule 19.22 of the GEM Listing Rules.

MANAGEMENT DISCUSSION ON LIPA

Lipa had bank borrowings of AUD20,666,000 (approximately HK$137,749,000) as of 30 June 2007, of which AUD2,638,000 (approximately HK$17,584,000) was due within one year, and AUD18,028,000 (approximately HK$120,166,000) was due more than one year but less than five years. This compares with AUD18,537,000 (approximately HK$123,558,000) of total bank borrowings as of 30 June 2006, of which AUD832,000 (approximately HK$5,546,000) was due within one year, and AUD17,705,000 (approximately HK$118,013,000) due more than one year but less than five years. These bank borrowings are secured by a registered first mortgage and a floating charge over the assets of Lipa, and carry interests at variable rate. In addition, Lipa also had finance lease obligations amounting to AUD7,431,000 (approximately HK$49,531,000) as of 30 June 2007, of which AUD1,727,000 (approximately HK$11,511,000) was due within one year. This compares with AUD9,489,000 (approximately HK$63,249,000) as of 30 June 2006, of which AUD2,162,000 (approximately HK$14,411,000) was due within one year. All finance leases carry interests at fixed rate as determined on the contract date. Gearing ratio was 42.3% as of 30 June 2007, compared with 43.9% as of 30 June 2006.

Product development forms an integral part of Lipa's business. During the past three years it has added soft gelatin production capabilities to its existing tablets, capsules and liquid dosage forms.

Lipa did not hold any significant investments, and have not made any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 30 June 2007. Lipa operates predominantly in one business and geographical segment being manufacturing and distributing non-sterile, over the counter nutritional supplementary products throughout Australia.

Lipa had approximately 350 employees as of 30 June 2007. Total staff costs for the year ended 30 June 2007 amounted to AUD21,706,000 (approximately HK$144,681,000). Its remuneration structure includes salary, bonus, commission and a performance share rights plan.

Lipa incurred capital expenditure AUD4,379,000 (approximately HK$29,188,000) during the year ended 30 June 2007, of which AUD2,500,000 (approximately HK$16,664,000) related to the soft gelatin production facility. Forecast capital expenditure for the current year is AUD2,500,000 (approximately HK$16,664,000), which will be funded by internal resources.

REASONS FOR ENTERING INTO THE ACQUISITION

Acquisition of Lipa will enable the Group to expand the geographical coverage, product portfolio, manufacturing capability and customer base of its nutraceutical business. Lipa's position in the Australian market will also enable the Group to accelerate commercialization of its products.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

(1) Net tangible assets

As at 30 June 2007, the unaudited net tangible assets of the Group were about HK$1,917,127,000. After the Acquisition, the unaudited pro forma net tangible assets of the Enlarged Group would be about HK$1,565,621,000 as per Appendix II – "Financial Information of the Enlarged Group". The decrease of approximately 18% is mainly attributable to the goodwill arising from the Acquisition of approximately HK$351,506,000.

(2) Earnings

The Group recorded an audited profit attributable to shareholders of approximately HK$102,022,000 for the year ended 31 December 2006. Lipa recorded an audited profit attributable to shareholders of AUD5,306,000 (approximately HK$35,367,000) for the year ended 30 June 2007. Given the track record, earning ability and customer base of Lipa and the synergies to be realized by the Group from the Acquisition, the Acquisition should be earnings-accretive to the Enlarged Group in the future.

(3) Liabilities

As at 30 June 2007, the unaudited total liabilities of the Group were about HK$930,469,000. After the Acquisition, the unaudited pro forma total liabilities of the Enlarged Group would be about HK$1,499,942,000 as per Appendix II – "Financial Information of the Enlarged Group". The increase is mainly attributable to the consideration payable and/or bank borrowings arising from the Acquisition.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group recorded profits attributable to shareholders of approximately HK$102,022,000 and HK$66,248,000 for the year ended 31 December 2006 and the six months ended 30 June 2007, respectively, a 7 times and 3 times increase over the previous corresponding year/period. Turnover grew by 2 times to HK$2,197,118,000 and 19% to HK$1,097,609,000 for the year ended 31 December 2006 and the six months ended 30 June 2007, respectively, as sales of the health-related products grew by about 10 times to HK$1,388,635,000 and about 21% to HK$747,497,000 when compared to the previous corresponding year/period. The development of the Group's nutraceutical business coincides with the fast pace of growth recorded by the global nutritional products industry. The Group's previous acquisitions in North America, namely Santé Naturelle A.G. Ltée and Vitaquest International Holdings LLC, have also played a key role in propelling this development. Following the launch of several new fertilizer products to the market, encouraging growth of the Group's fertilizer-related business is expected in the future.

Going forward, the Group will continue to grow by a four-pronged approach:

(i) enlarge the scale of its fertilizer and environment business in existing markets, while continuing to extend the geographical coverage;

(ii) expedite the launch of more health supplements to broaden the product range;

(iii) accelerate the R&D progress through collaboration with world renowned institutions; and

(iv) continue to look for targeted strategic acquisitions that offer synergies to the Group's existing businesses.

GENERAL

The Directors (including the independent non-executive Directors) considered that the Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Agreement are fair and reasonable and in the best interests of the Group so far as the interests of the Shareholders are concerned.

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

The Acquisition contemplated in the Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief, based on the register required to be kept by the Company pursuant to section 336 of the SFO, there is no Shareholder who, other than through shareholding in the Company, has a material interest in the Acquisition, and accordingly no Shareholder is required to abstain from voting if the Company is to convene an extraordinary general meeting to approve the Acquisition. On 3 August 2007, the Company received a written approval on the Agreement from a closely allied group of Shareholders, namely Gold Rainbow, Trueway and Triluck together holding approximately 73.81% of the issued share capital of the Company, which have no interest in the Agreement or any transaction contemplated thereunder other than through equity interests in the Company. The shareholding interests of Gold Rainbow, Trueway and Triluck in the Company are 4,258,634,570 Shares (representing approximately 44.30%), 2,119,318,286 Shares (representing approximately 22.05%) and 716,441,429 Shares (representing approximately 7.45%) respectively. Gold Rainbow is an indirect wholly-owned subsidiary of CKH. Trueway and Triluck are both wholly-owned by Li Ka Shing Foundation Limited. Accordingly, no extraordinary general meeting of the Company is required to be held to consider the Acquisition contemplated under the Agreement pursuant to Rule 19.44 of the GEM Listing Rules.

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

Yours faithfully,

By Order of the Board

LI TZAR KUOI, VICTOR

Chairman

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated income statement and the consolidated balance sheet of the Group for the last three financial years extracted from the annual report of the Company for year ended 31 December 2006 is set out below:

	Year ended 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Consolidated results summary			
Turnover	329,627	694,379	2,197,118
Profit/(loss) attributable to equity holders of the Company	(3,968)	12,234	102,022

	As at 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Consolidated balance sheet summary			
Non-current assets	2,310,811	2,830,045	4,616,436
Current assets	751,996	850,838	1,315,218
Current liabilities	(149,596)	(365,333)	(520,195)
Non-current liabilities	(68,223)	(531,463)	(449,435)
Total net assets	2,844,988	2,784,087	4,962,024
Equity attributable to equity holders of the Company	2,795,705	2,736,260	4,946,453
Minority interests	49,283	47,827	15,571
Total equity	2,844,988	2,784,087	4,962,024

B. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, audited consolidated balance sheet and notes to financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2006.

Consolidated Income Statement
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Turnover	*6*	2,197,118	694,379
Cost of sales		(1,369,928)	(386,536)
		827,190	307,843
Other income	*7*	43,382	80,412
Staff costs	*8*	(283,269)	(142,711)
Depreciation		(31,888)	(28,836)
Amortization of intangible assets		(22,282)	(4,758)
Fair value change of investments at fair value through profit and loss/derivative financial instruments		(10,007)	(28,165)
Other operating expenses		(389,745)	(151,482)
Finance costs	*9*	(37,866)	(19,494)
Share of results of associates		2,930	3,337
Profit before taxation		98,445	16,146
Taxation	*10*	(1,653)	(5,368)
Profit for the year	*11*	96,792	10,778
Attributable to:			
Equity holders of the Company		102,022	12,234
Minority interests		(5,230)	(1,456)
		96,792	10,778
Earnings per share	*12*		
– Basic		1.16 cents	0.17 cent
– Diluted		1.16 cents	0.17 cent

Consolidated Balance Sheet
As at 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Non-current assets			
Property, plant and equipment	*14*	358,180	359,953
Prepaid lease for land	*15*	12,700	27,827
Intangible assets	*16*	3,077,477	738,738
Interests in associates	*17*	72,909	30,922
Debt investment	*18*	–	174,179
Available-for-sale investments	*19*	155,727	210,879
Investments at fair value through profit and loss	*20*	920,265	1,280,331
Deferred taxation	*30*	19,178	7,216
		4,616,436	2,830,045
Current assets			
Debt investment	*18*	–	36,986
Investments at fair value through profit and loss	*20*	12,709	48,346
Derivative financial instruments	*21*	19,544	22,361
Inventories	*22*	320,489	127,914
Receivables and prepayments	*23*	502,852	202,990
Taxation		–	808
Deposit with financial institution	*24*	47,931	39,000
Bank balances and deposits	*25*	411,693	372,433
		1,315,218	850,838
Current liabilities			
Payables and accruals	*26*	(438,286)	(216,958)
Derivative financial instruments	*21*	(63,630)	(54,736)
Bank loans	*27*	–	(93,080)
Finance lease obligations	*28*	(2,222)	(559)
Taxation		(16,057)	–
		(520,195)	(365,333)
Net current assets		795,023	485,505
Total assets less current liabilities		5,411,459	3,315,550

	Notes	2006 HK$'000	2005 HK$'000
Non-current liabilities			
Bank loans	27	(322,877)	(461,200)
Finance lease obligations	28	(1,505)	(1,741)
Loan from a minority shareholder	29	(23,828)	(34,252)
Deferred taxation	30	(101,225)	(34,270)
		(449,435)	(531,463)
Total net assets		4,962,024	2,784,087
Capital and reserves			
Share capital	31	961,107	640,738
Share premium and reserves		3,985,346	2,095,522
Equity attributable to equity holders of the Company		4,946,453	2,736,260
Minority interests		15,571	47,827
Total equity		4,962,024	2,784,087

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Employee share-based compensation reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005, restated	640,738	2,392,185	42,295	1,950	7,563	(289,446)	2,795,285	49,283	2,844,568
Loss on fair value changes of available-for-sale investments	–	–	(25,807)	–	–	–	(25,807)	–	(25,807)
Exchange difference on translation of financial statements of overseas operations	–	–	–	(1,985)	–	–	(1,985)	–	(1,985)
Net loss recognized directly in equity	–	–	(25,807)	(1,985)	–	–	(27,792)	–	(27,792)
Realized on disposal/redemption of financial instruments	–	–	(44,090)	–	–	–	(44,090)	–	(44,090)
Profit for the year	–	–	–	–	–	12,234	12,234	(1,456)	10,778
Total recognized income and expenses for the year	–	–	(69,897)	(1,985)	–	12,234	(59,648)	(1,456)	(61,104)
Employees' share options benefits	–	–	–	–	623	–	623	–	623
At 1 January 2006	640,738	2,392,185	(27,602)	(35)	8,186	(277,212)	2,736,260	47,827	2,784,087
Gain on fair value changes of available-for-sale investments	–	–	4,657	–	–	–	4,657	–	4,657
Exchange difference on translation of financial statements of overseas operations	–	–	–	27,261	–	–	27,261	2,742	30,003
Net profit recognized directly in equity	–	–	4,657	27,261	–	–	31,918	2,742	34,660
Profit for the year	–	–	–	–	–	102,022	102,022	(5,230)	96,792
Total recognized income and expenses for the year	–	–	4,657	27,261	–	102,022	133,940	(2,488)	131,452
Shares issued under rights issue	320,369	1,762,030	–	–	–	–	2,082,399	–	2,082,399
Transaction costs arising from rights issue	–	(6,672)	–	–	–	–	(6,672)	–	(6,672)
Employees' share options benefits	–	–	–	–	526	–	526	–	526
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	7,705	7,705
Arising from acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(1,709)	(1,709)
Arising from disposal of a subsidiary	–	–	–	–	–	–	–	(44,607)	(44,607)
Fair value adjustments on loan from minority shareholders	–	–	–	–	–	–	–	12,827	12,827
Deferred tax liability of fair value adjustments on loan from minority shareholders	–	–	–	–	–	–	–	(3,984)	(3,984)
At 31 December 2006	961,107	4,147,543	(22,945)	27,226	8,712	(175,190)	4,946,453	15,571	4,962,024

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Profit before taxation		98,445	16,146
Share of results of associates		(2,930)	(3,337)
Finance costs		37,866	19,494
Depreciation		45,971	31,888
Amortisation of prepaid lease for land		635	401
Gain on disposal/redemption of available-for-sale investments		–	(33,794)
Gain on disposal/redemption of investments at fair value through profit and loss		(10,735)	(29,349)
(Gain)/loss on disposal of property, plant and equipment		(343)	115
Interest income		(18,193)	(14,200)
Amortization of intangible assets		22,282	4,758
Allowance for bad debts		8,701	1,166
Inventories written off		4,108	843
Fair value change of investments at fair value through profit and loss/derivative financial instruments		10,007	28,165
Share-based payment		526	623
Operating profit before working capital changes		196,340	22,919
Increase in inventories		(68,414)	(31,200)
Increase in receivables and prepayments		(7,618)	(48,882)
Increase in payables and accruals		42,626	84,030
Profits tax paid		(3,701)	(6,557)
Net cash from operating activities		159,233	20,310

	Notes	2006 HK$'000	2005 HK$'000
Investing activities			
Purchases of property, plant and equipment and addition of prepaid lease for land		(66,344)	(60,111)
Proceeds from disposal of property, plant and equipment		3,739	850
Purchase of subsidiaries	*38*	(1,244,799)	(514,760)
Disposal of subsidiaries	*38*	(11,746)	–
Purchases of Investments at fair value through profit and loss		(508,147)	(1,195,847)
Proceeds from disposal of Investments at fair value through profit and loss		929,358	1,275,015
Expenditure on intangible assets		(53,036)	(44,820)
Increase in deposit with financial institution		(8,931)	(39,000)
Repayment of debt investment		211,166	39,439
Interest received		22,006	14,232
Net cash used in investing activities		(726,734)	(525,002)
Financing activities			
Issue of shares		2,082,399	–
Expenses on issue of shares		(6,672)	–
New bank loans		–	519,565
Repayment of bank loans		(1,433,489)	(80,585)
Repayment of other loan		–	(13,737)
Finance leases obligations repaid		(127)	(324)
Interest paid		(37,866)	(19,531)
Loan from a minority shareholder of a subsidiary		–	29,482
Net cash from financing activities		604,245	434,870
Net increase/(decrease) in cash and cash equivalents		36,744	(69,822)
Cash and cash equivalents at beginning of the year		372,433	442,850
Effect of foreign exchange rate changes		2,516	(595)
Cash and cash equivalents at end of the year		411,693	372,433
Represented by:			
Bank balances and cash		411,693	372,433

Notes to the Financial Statements

1. Organization and Operations

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate information" of the Group's Annual Report.

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

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

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for the accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material impact on how the financial statements of the Group for the current or prior financial years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective for the financial period beginning 1 January 2006. However, the directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]

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

2 Effective for annual periods beginning on or after 1 March 2006

3 Effective for annual periods beginning on or after 1 May 2006

4 Effective for annual periods beginning on or after 1 June 2006

5 Effective for annual periods beginning on or after 1 November 2006

6 Effective for annual periods beginning on or after 1 March 2007

3. Significant Accounting Policies

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

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA as well as the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(a) Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective dates of acquisition to the end of the year or up to the effective dates of disposal as the case may be.

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

(b) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Property, plant and equipment

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

Any revaluation increase arising on revaluation of building is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/accumulated losses.

Depreciation is provided to write off the cost or fair value of an item of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Building	4% to 10% or over the terms of the lease, whichever is shorter
Laboratory instruments, plant and equipment	6% – 33 $^1/_3$%
Furniture, fixtures and other assets	4% – 50%

Assets held under finance leases are depreciated on the same basis as owned assets, or, where shorter, the term of the relevant lease.

No depreciation is provided on freehold land and construction in progress. Depreciation will commence on the same basis as other assets of the same category when the assets are ready for their intended use.

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

(d) Prepaid lease for land

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

(e) Intangible assets

i. Development costs

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

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activities. Capitalized development costs are stated at cost less amortization and impairment losses. Amortization of development costs is charged to the income statement on a straight-line basis over the estimated useful lives of the underlying products of 10 years.

ii. *Patents*

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

iii. *Goodwill*

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

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

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

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

iv. *Trademarks*

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

v. *Other intangible assets*

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

(f) Impairment

At the relevant reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill and intangible assets with indefinite useful lives which are disclosed in note (e) above) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of an asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but such reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets/cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for any identified impairment loss. Results of associates are incorporated in the income statement to the extent of the Group's share of the post-acquisition profits or losses calculated from their financial statements made up to the financial year end of the Group. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payment on behalf of that associate.

(h) Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

i. *Investments at fair value through profit and loss*

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

ii. *Available-for-sale investments*

Available-for-sale investments are non-derivative instruments that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are carried at fair value, with any changes in fair value being recognized in investment revaluation reserve. Upon disposal or when these financial assets are determined to be impaired, the cumulative gain or loss previously recognized in investment revaluation reserve is removed from the reserve and recognized in the consolidated income statement. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

iii. *Loans and receivables*

Loans and receivables (including debt investment, receivables, deposits and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iv. Other financial liabilities

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

v. Equity instruments

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

(i) Inventories

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

(j) Revenue recognition

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

(k) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement as so to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the relevant lease term. Benefit received and receivable as an incentive to enter into an operating lease recognized as a reduction of rental expense over the lease term on a straight line basis.

(l) Retirement benefit costs

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

(m) Foreign currencies

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

Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates on the relevant reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, assets and liabilities of the Group's operations with a functional currency that is different from the presentation currency are translated into the presentation currency at the prevailing rates on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in the Group's exchange reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

Goodwill arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency item and reported using the exchange rate at acquisition date.

(n) Share-based payment

The fair value of the share options that were granted by the Company after 7 November 2002 and had not vested on 1 January 2005 is determined by reference to the fair value of the share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee share-based compensation reserve.

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

In prior year, the Group chose not to apply HKFRS 2 to the shares options granted by the Group which had been fully vested before 1 January 2005 in accordance with the transitional provision of HKFRS 2. The financial impact of the share options granted and fully vested before 1 January 2005 is not recorded in the Group's results until such time as the options are exercised, and no charge is recognized in the consolidated income statement in respect of the value of options granted in the year.

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. Critical Accounting Estimates and Assumptions

In the process of applying the Group's accounting policies described in note 3, management has made estimates and assumptions concerning the future. The estimates and assumptions that have a significant impact on changes in value of the carrying amounts of the most significant amounts of assets/liabilities include goodwill, development costs and deferred taxation.

In determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flow expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value of subsidiaries where the goodwill arises. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. As at 31 December 2006, no impairment loss has been identified.

Determining whether capitalized development cost is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected. As at 31 December 2006, no impairment loss has been identified. Details of the impairment test on goodwill and capitalized development costs are set out in note 16.

As at 31 December 2006, a deferred tax asset of HK$19,178,000 in relation to unused tax losses has been recognized in the Group's balance sheet. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

5. Financial Risk Management

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

Currency risk

The Group has minimal exposure to foreign currency risk. The management always monitors foreign exchange exposure closely.

Interest rate risk

The Group's bank borrowings are floating rate borrowings based on market rates and are therefore exposed to cash flow interest rate risk. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

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

6. Turnover

Turnover represents net invoiced value of goods sold, after allowance for returns and trade discount as well as income from investments, and is analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Environment	549,922	425,317
Health	1,388,635	117,167
Investment income	258,561	151,895
	2,197,118	694,379

7. Other Income

	2006	**2005**
	HK$'000	*HK$'000*
Included in other income are:		
Interest income from bank deposits	18,193	14,200
Gain on disposal/redemption of available-for-sale investments	–	33,794
Gain on disposal/redemption of investments at fair value through profit and loss	10,735	29,349

8. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$470,712,000 (2005: HK$172,579,000) of which HK$26,732,000 (2005: HK$25,092,000) relating to development activities was capitalized and HK$160,711,000 (2005: HK$4,776,000) relating to direct labour costs was included in cost of sales.

Staff costs also include operating lease rentals of HK$1,043,000 (2005: HK$923,000) in respect of accommodation provided to staff.

9. Finance Costs

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	35,513	17,226
Other loan	–	692
Loan from a minority shareholder	2,149	1,470
Finance leases	204	106
	37,866	19,494

10. Taxation

	2006	2005
	HK$'000	*HK$'000*
Current tax		
Hong Kong	114	–
Other jurisdictions	17,696	6,501
Over provision in prior year:		
Other jurisdictions	(35)	–
Deferred tax *(Note 30)*		
Hong Kong	(153)	(843)
Other jurisdictions	(15,969)	(290)
	1,653	5,368

Hong Kong profits tax has been provided at the rate of 17.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit before taxation as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	98,445	16,146
Notional tax at tax rate of 17.5%	17,228	2,826
Tax effect of share of results of associates	(513)	(584)
Tax effect of non-deductible expenses	6,298	9,912
Tax effect of non-taxable income	(31,544)	(38,360)
Tax effect of tax losses not recognized	13,052	28,724
Over provision in prior year	(35)	–
Utilization of tax losses previously not recognized	(2,528)	(20)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,462)	2,935
Others	2,157	(65)
Tax expenses	1,653	5,368

11. Profit for the Year

	2006	2005
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	6,655	2,310
Depreciation of property, plant and equipment		
Owned assets	58,167	44,691
Assets held under finance leases	750	754
	58,917	45,445
Amount included in production overheads	(14,083)	(3,052)
Amount capitalized as development costs	(12,946)	(13,557)
	31,888	28,836
Research and development expenditure	71,658	72,933
Amount capitalized as development costs	(41,310)	(42,014)
	30,348	30,919
Amortization of development costs	3,413	2,860
	33,761	33,779
Loss on disposal of property, plant and equipment	–	115
Allowance for bad debts	8,701	1,166
Inventories written off	4,108	843
Exchange loss	–	1,144
Share-based payment	526	623
Operating lease		
– land	635	401
– other properties	26,174	4,833
and after crediting:		
Exchange gain	1,419	–
Gain on disposal of property, plant and equipment	343	–
Interest income from available-for-sale investments (included in turnover)		
– Listed	–	7,228
– Unlisted	7,116	19,952
Interest income from investments at fair value through profit and loss (included in turnover)		
– Unlisted	76,104	99,442
Interest income from debt investment (included in turnover)		
– Unlisted	25,846	21,899

12. Earnings Per Share

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

	2006	2005
	HK$'000	*HK$'000*
Profit for the year		
Profit for calculating basic and diluted earnings per share	102,022	12,234
Number of shares		
Weighted average number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	8,759,610,000	7,201,896,918

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 December 2006 has accounted for the issuance of new shares pursuant to the rights issue which was completed on 10 May 2006. The corresponding number of ordinary shares for 2005 has been retrospectively adjusted to reflect the said rights issue.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2006 and 2005.

13. Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2006 (2005: Nil).

14. Property, Plant and Equipment

	Freehold land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold Improvement HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2005	101,044	463	281,700	49,164	–	432,371
Additions	39	15,420	19,788	5,719	–	40,966
Acquired on acquisition of subsidiaries	1,514	–	12,645	2,989	2,873	20,021
Disposals	–	–	(1,382)	(1,518)	–	(2,900)
Transfer	–	(463)	463	–	–	–
Exchange difference	209	–	(3,964)	(12)	(113)	(3,880)
At 1 January 2006	102,806	15,420	309,250	56,342	2,760	486,578
Additions	361	1,433	49,486	8,231	3,390	62,901
Acquired on acquisition of subsidiaries	–	64	36,867	20,956	39,881	97,768
Disposals	–	–	(3,684)	(1,559)	–	(5,243)
Disposal of subsidiary	–	(15,420)	(99,189)	(1,983)	–	(116,592)
Exchange difference	(7)	–	11,174	828	230	12,225
At 31 December 2006	103,160	1,497	303,904	82,815	46,261	537,637
Comprising:						
Cost	–	1,497	303,904	82,815	46,261	434,477
Valuation	103,160	–	–	–	–	103,160
	103,160	1,497	303,904	82,815	46,261	537,637
Depreciation						
At 1 January 2005	4,541	–	51,031	28,464	–	84,036
Provided for the year	2,396	–	31,327	11,269	453	45,445
Eliminated upon disposals	–	–	(801)	(1,134)	–	(1,935)
Exchange difference	123	–	(1,141)	109	(12)	(921)
At 1 January 2006	7,060	–	80,416	38,708	441	126,625
Provided for the year	2,512	–	38,687	11,139	6,579	58,917
Eliminated upon disposals	–	–	(814)	(1,033)	–	(1,847)
Eliminated upon disposal of subsidiary	–	–	(7,712)	(443)	–	(8,155)
Exchange difference	–	–	3,365	468	84	3,917
At 31 December 2006	9,572	–	113,942	48,839	7,104	179,457
Carrying value						
At 31 December 2006	93,588	1,497	189,962	33,976	39,157	358,180
At 31 December 2005	95,746	15,420	228,834	17,634	2,319	359,953

The carrying value of building shown above situated on:

	2006	2005
	HK$'000	*HK$'000*
Land in Hong Kong under medium term lease	91,959	94,233
Overseas freehold land	1,629	1,513
	93,588	95,746

The building in Hong Kong was revalued at HK$101,000,000 on 31 December 2002 by the Directors on an open market value basis with reference to valuation at 30 April 2002 by DTZ Debenham Tie Leung, an independent professional valuer. The Directors considered that, as at 31 December 2006, the fair value of this building did not differ materially from that of 31 December 2002. The building in overseas was revalued by the Directors of the Group by reference to recent market prices for similar properties. Had the building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$93,349,000 (2005: HK$94,132,000).

The carrying value of the Group's property, plant and equipment held under finance leases included in furniture, fixtures and other assets amounted to HK$2,549,000 (2005: HK$2,581,000).

15. Prepaid Lease for Land

Prepaid lease for land represents prepaid lease for land in Hong Kong leased from Hong Kong Science and Technology Parks Corporation for a term up to 27 June 2047.

	2006	2005
	HK$'000	*HK$'000*
Leasehold land in Hong Kong under medium term lease	12,700	13,015
Leasehold land outside Hong Kong	–	14,812
	12,700	27,827

16. Intangible Assets

	Development costs	Patents	Goodwill	Trademark	Customer relationship	Distribution network	Other intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 January 2005	133,876	10,242	34,215	–	–	–	–	178,333
Additions	56,299	2,086	–	–	–	–	–	58,385
Arising on acquisition of subsidiaries	–	–	395,769	79,830	19,842	–	2,363	497,804
Exchange difference	–	(9)	11,119	3,021	1,073	–	129	15,333
At 1 January 2006	190,175	12,319	441,103	82,851	20,915	–	2,492	749,855
Additions	58,257	2,011	1,081	–	–	–	5,713	67,062
Arising on acquisition of subsidiaries	–	–	2,030,879	26,481	188,589	37,463	–	2,283,412
Exchange difference	(24)	12	9,463	1,260	35	–	(269)	10,477
At 31 December 2006	248,408	14,342	2,482,526	110,592	209,539	37,463	7,936	3,110,806
Amortization								
At 1 January 2005	5,540	826	–	–	–	–	–	6,366
Provided for the year	2,860	428	–	–	1,312	–	158	4,758
Exchange difference	–	(7)	–	–	–	–	–	(7)
At 1 January 2006	8,400	1,247	–	–	1,312	–	158	11,117
Provided for the year	3,413	454	–	–	14,698	2,205	1,512	22,282
Exchange difference	–	9	–	–	–	–	(79)	(70)
At 31 December 2006	11,813	1,710	–	–	16,010	2,205	1,591	33,329
Carrying value								
At 31 December 2006	236,595	12,632	2,482,526	110,592	193,529	35,258	6,345	3,077,477
At 31 December 2005	181,775	11,072	441,103	82,851	19,603	–	2,334	738,738

In February 2006, the Group acquired 80% of common interests and 100% of senior preferred interests in Vitaquest International Holdings LLC ("Vitaquest") for a total consideration of HK$1,276,108,000. Goodwill arising from the acquisition amounted to HK$2,030,879,000. Please refer to note 38 (a) for details.

In April 2006, the Group acquired 40% additional interest in Fertico Pty. Limited ("Fertico") for a purchase consideration of HK$2,790,000 and since then Fertico has become a wholly-owned subsidiary of the Group. Goodwill arising the acquisition is HK$1,081,000.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill and trademark with indefinite useful lives have been allocated to six individual cash generating units (CGUs), including two subsidiaries in the health segment and four subsidiaries in the environment segment. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) as at 31 December 2006 allocated to these segments are as follows:

	Goodwill	**Trademark**
	HK$'000	*HK$'000*
Health	2,327,589	95,450
Environment	154,937	15,142
	2,482,526	110,592

During the year ended 31 December 2006, management of the Group determines that there are no impairments of any of its CGUs containing goodwill or trademark with intangible useful lives.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use cash flow projections of 5-10 years based on next year's financial budgets approved by management using a steady growth rate and at discount rate of 8% to 14.5%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which have included budgeted sales and gross margin, and such estimation is based on the unit's past performance and management's expectations for the market development.

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

Other intangibles assets include non-competition agreement.

17. Interests in Associates

	2006	**2005**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	60,793	25,497
Share of post-acquisition profits	9,474	5,425
Exchange reserve	2,642	–
	72,909	30,922

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

	2006	**2005**
	HK$'000	*HK$'000*
Total assets	1,381,120	796,429
Total liabilities	(1,183,356)	(686,491)
Net assets	197,764	109,938
Group's share of net assets of associates	72,909	30,922
Revenue	2,035,064	1,653,789
Profit for the year	5,452	7,735
Group's share of results of associates for the year	2,930	3,337

18. Debt Investment

The investment represents the Group's sub-participation right in certain financial instrument issued by a financial institution with face value of approximately HK$229,738,000 as at 31 December 2005. The amount carries interest at prevailing market rate with maturity date on 31 March 2009. The investment was disposed of during the year.

The effective interest rate during the year was 4.8% (2005: 4.8%).

19. Available-for-Sale-Investments

	2006	**2005**
	HK$'000	*HK$'000*
Debt security – unlisted	155,727	210,879

The above investment represents investment in an unlisted debt security that offers the Group the opportunity for return through interest income or fair value gain. The investment has no fixed coupon rate.

As at the balance sheet date, the available-for-sale investment was stated at fair value. The fair value was determined based on the market price provided by a financial institution.

20. Investments at Fair Value through Profit and Loss

	2006	2005
	HK$'000	*HK$'000*
Equity securities held for trading		
– listed in Hong Kong at quoted bid price	2,213	1,746
Equity securities held for trading		
– listed overseas at quoted bid price	10,496	–
Debt securities – unlisted	920,265	1,326,931
	932,974	1,328,677
Carrying amount analysed for reporting purpose as:		
Non-current	920,265	1,280,331
Current	12,709	48,346

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

The interest income from unlisted debt securities is linked to equity prices or index.

21. Derivative Financial Instruments

	2006	2005
	HK$'000	*HK$'000*
Assets		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	13,980	12,478
Credit default swap	5,564	9,883
	19,544	22,361

	2006	2005
	HK$'000	*HK$'000*
Liabilities		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	(63,274)	(43,430)
Credit default swap	(356)	(11,306)
	(63,630)	(54,736)

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

22. Inventories

	2006	2005
	HK$'000	*HK$'000*
Raw materials	103,602	47,787
Work in progress	95,199	3,665
Finished goods	121,688	76,462
	320,489	127,914

The cost of inventories recognized as an expense during the year was HK$1,266,015,000 (2005: HK$360,904,000).

23. Receivables and Prepayments

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	391,480	122,021
Other receivables, deposits and prepayments	111,372	80,969
	502,852	202,990
Trade receivables		
Aged 0 to 90 days	359,183	116,640
Aged more than 90 days	32,297	5,381

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

Included in the other receivables is an amount of HK$27,222,000 (2005: Nil) due from a minority shareholder of a subsidiary. The amount is unsecured, interest free and repayment on demand.

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

24. Deposit with Financial Institution

Deposit with financial institutions carries an average interest rate of 4.76%.

25. Bank Balances and Deposits

Bank balances and deposits carry an average interest rate of 3.54%.

26. Payables and Accruals

	2006	2005
	HK$'000	*HK$'000*
Trade payables	289,754	79,989
Other payables and accrued charges	148,532	136,969
	438,286	216,958
Trade payables		
Aged 0 to 90 days	249,469	78,342
Aged more than 90 days	40,285	1,647

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

27. Bank Loans

	2006	2005
	HK$'000	*HK$'000*
Bank loans repayable		
within 1 year	–	93,080
1 to 2 years	117,619	180,630
2 to 5 years	205,258	280,570
	322,877	554,280
Analysed as:		
Secured	205,258	373,650
Unsecured	117,619	180,630
	322,877	554,280
Carrying amount analysed for reporting purpose as:		
Current	–	93,080
Non-current	322,877	461,200

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

	2006	2005
	HK$'000	*HK$'000*
Canadian dollars *(note (a))*	205,258	373,650
Australian dollars *(note (b))*	117,619	108,630
Renminbi *(note (c))*	–	72,000
	322,877	554,280

Notes:

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

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

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

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

28. Finance Lease Obligations

	Minimum leases payment		**Present value of minimum lease payments**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance leases obligations payable				
within one year	2,415	1,719	2,222	559
within two to five year	1,660	1,014	1,505	1,741
	4,075	2,733	3,727	2,300
Less: Future finance charges	(349)	(433)	N/A	N/A
Present value of finance leases obligations	3,726	2,300	3,727	2,300
Carrying amount analysed for reporting purpose as:				
Current			2,222	559
Non-current			1,505	1,741

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

29. Loan from a Minority Shareholder

Loan from a minority shareholder was unsecured, bearing interest with reference to Bill Swap Reference Rate (Bid) plus 0.9% to 1.1% with effective from April 2005 except for an amount of HK$2,148,000 is interest free, and matures on 31 December 2025. The loan was interest free prior to April 2005.

The Directors consider that the carrying amount of loan from a minority shareholder approximates its fair value.

30. Deferred Taxation

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

	Accelerated tax depreciation	Development costs	Intangible assets	Loan from a minority shareholder	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group							
As at 1 January 2005	10,609	22,459	–	–	(32,922)	–	146
Acquisition of subsidiaries	27,513	–	–	–	–	(665)	26,848
Charge/(credit) to income statement	(2,024)	8,430	–	–	(7,519)	(20)	(1,133)
Exchange difference	1,193	–	–	–	–	–	1,193
As at 1 January 2006	37,291	30,889	–	–	(40,441)	(685)	27,054
Acquisition of subsidiaries	8,109	81,937	17,907	–	(35,831)	(4,266)	67,856
Charge to equity	–	–	–	3,984	–	–	3,984
Charge/(credit) to income statement	2,316	36,706	–	(129)	(24,617)	(30,398)	(16,122)
Exchange difference	–	–	–	–	(725)	–	(725)
As at 31 December 2006	47,716	149,532	17,907	3,855	(101,614)	(35,349)	82,047

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

	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities	101,225	34,270
Deferred tax assets	(19,178)	(7,216)
	82,047	27,054

At the balance sheet date, the total un-utilized tax losses amounted to approximately HK$1,316,676,000 (2005: HK$1,038,181,000). A deferred tax asset has been recognized in respect of HK$443,356,000 (2005: HK$225,110,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$873,320,000 (2005: HK$813,071,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized. Tax losses of approximately HK$27,849,300 (2005: HK$20,485,000) arising in Mainland China can only be carried forward for five years subsequent to the year of tax losses incurred.

31. Share Capital

	Number of shares of HK$0.1 each	Nominal value
	'000	*HK$'000*
Authorized	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2005 and 31 December 2005	6,407,382	640,738
Shares issued under rights issue	3,203,691	320,369
At 31 December 2006	9,611,073	961,107

In May 2006, the Company completed the rights issue of 3,203,690,800 rights shares at HK$0.65 per rights share in the proportion of one rights share for every two existing shares.

32. Share Option Scheme

The Company adopted a share option scheme on 26 June 2002 (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme for the primary purpose of providing incentives to directors and eligible employees.

As at 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,442,657 (2005: 18,470,700 shares), representing 0.17% (2005: 0.29%) of the share of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue of any point in time, with prior approval from the Company's shareholder.

As a result of the rights issue of the Company in May 2006, the subscription prices of the options have also been adjusted. Details of the share options granted and the adjusted share option prices are as follows:

Year 2006

	Number of share options							
Date of grant	Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006	No. of exercisable options as at 31 December 2006	Option period	Adjusted subscription price per share
								HK$
30/9/2002	3,188,500	–	–	(319,490)	2,869,010	2,869,010	30/9/2003 to 29/9/2012	1.422
27/1/2003	7,128,200	–	–	(833,577)	6,294,623	4,406,236	27/1/2004 to 26/1/2013	1.286
19/1/2004	8,154,000	–	–	(874,976)	7,279,024	2,547,658	19/1/2005 to 18/1/2014	1.568

Year 2005

	Number of share options							
Date of grant	Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2005	No. of exercisable options as at 31 December 2005	Option period	Subscription price per share *HK$*
30/9/2002	3,660,500	–	–	(472,000)	3,188,500	2,231,950	30/9/2003 to 29/9/2012	1.598
27/1/2003	8,185,500	–	–	(1,057,300)	7,128,200	2,494,870	27/1/2004 to 26/1/2013	1.446
19/1/2004	9,404,000	–	–	(1,250,000)	8,154,000	–	19/1/2005 to 18/1/2014	1.762

Details of the vesting period for the above options are as follows:

(i) up to 35% of the options in the first year after commencement of the option period;

(ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) in the second year after commencement of the option period; and

(iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) in the third year and thereafter after the commencement of the option period.

The Group recognized the total expenses of HK$526,000 for the year ended 31 December 2006 (2005: HK$623,000) in relation to share options granted by the Company.

33. Pledge of Assets

Bank loan of HK$205,258,000 (2005: HK$373,650,000) is secured by a mortgage over the cash, accounts receivable, inventories, property, plant and equipment and other intangibles assets of a subsidiary with a carrying value of HK$168,906,000 (2005: HK$160,627,000) as at 31 December 2006.

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

34. Operating Lease Commitment

The leases of the Group are negotiated for a term ranging from one to three years. Minimum lease charges payable by the Group within one year and second to fifth years under non-cancellable operating leases in respect of rented premises were HK$27,435,000 (2005:HK$6,783,000) and HK$235,070,000 (2005: HK$22,999,000) respectively.

35. Capital Commitment

	2006 *HK$'000*	**2005** *HK$'000*
Capital commitment in respect of the acquisition of laboratory instrument, plant and equipment		
– contracted but not provided for	5,170	2,481

36. Retirement Benefits Scheme

The principal employee retirement schemes operated by the Group are defined contribution schemes. For Hong Kong employees, contributions are made by either employer only or by both employer and employees at rates ranging from approximately 5% to 10% on employee's salary. For overseas employees, contributions are made by employer at rates ranging from 4% to 20% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$17,661,000 (2005: HK$12,031,000) and forfeited contribution during the year of HK$4,305,000 (2005: HK$2,467,000) was used to reduce the Group's contribution in the year.

37. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2006 were as follows:

Name of Director	Fees	Basic salaries and allowances	Bonuses	Retirement benefits scheme contributions	Total emoluments 2006	Total emoluments 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Li Tzar Kuoi, Victor	70	–	–	–	70	70
Kam Hing Lam	70	700	700	–	1,470	1,470
Ip Tak Chuen, Edmond	70	–	600	–	670	670
Yu Ying Choi, Alan Abel	70	5,124	1,300	503	6,997	6,629
Chu Kee Hung	70	3,663	1,000	360	5,093	4,455
Pang Shiu Fun	35	2,642	–	226	2,903	6,181
Peter Peace Tulloch	70	–	–	–	70	70
Wong Yue-chim, Richard	140	–	–	–	140	140
Kwok Eva Lee	160	–	–	–	160	160
Colin Stevens Russel	160	–	–	–	160	160
Lam Hing Chau, Leon	–	–	–	–	–	2,548
Kwan Chiu Yin, Robert	–	–	–	–	–	38
	915	12,129	3,600	1,089	17,733	22,591

The directors' fees included an amount of HK$70,000 (2005: HK$70,000) for each director and an additional amount of HK$70,000 (2005: HK$70,000) and HK$20,000 (2005: HK$20,000) for each Independent Non-executive Director who is also a member of the audit committee and remuneration committee respectively. Such fees would be proportioned according to the length of services of the directors during the year.

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

None of the Directors waived any emoluments in the year ended 31 December 2006. No incentives were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2005: four) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining two (2005: one) are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salary and other benefits	6,613	4,488
Bonus	470	–
Retirement benefits scheme contributions	564	360
	7,647	4,848

Their emoluments were within the following bands:

	2006 Number of employees	**2005 Number of employees**
HK$2,000,001 to HK$2,500,000	1	–
HK$4,500,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$5,500,000	1	–
	2	1

No incentive was paid by the Group to the above individual as inducements to join, or upon joining the Group, or as a compensation for loss of office.

38. Purchase and Disposal of Subsidiaries

(a) Acquisition of Vitaquest

	Vitaquest's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	97,741	–	97,741
Intangible assets:			
– trademark	–	26,481	26,481
– customer relationship	–	188,589	188,589
– distribution network	–	37,463	37,463
Inventories	142,324	–	142,324
Receivables and prepayments	381,335	–	381,335
Bank balances and cash	8,665	–	8,665
Payables and accruals	(263,371)	–	(263,371)
Deferred taxation	–	(67,856)	(67,856)
Bank and other loans	(1,306,142)	–	(1,306,142)
	(939,448)	184,677	(754,771)
Goodwill on acquisition			2,030,879
Total consideration			1,276,108
Net cash outflow arising from acquisition:			
Cash payment (including acquisition cost)			1,276,108
Bank balances and cash acquired			(8,665)
			1,267,443

In February 2006, the Group acquired the control of 80% of common interests and 100% of senior preferred interests in Vitaquest International Holdings LLC ("Vitaquest") for a total consideration of HK$1,276,108,000 which comprises direct attributable acquisition cost of HK$255,408,000 and purchase consideration of HK$1,020,700,000. Goodwill arising from the acquisition amounted to HK$2,030,879,000 which is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

The subsidiary acquired during the year contributed HK$1,160,128,000 to the Group's turnover and profit of HK$82,549,000 to the profit attributable to equity holders of the Company.

If the acquisition had been completed on 1 January 2006, total group turnover for the year would have been HK$2,261,017,000 and profit for the year would have been HK$93,501,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(b) Restructuring of the joint ventures with Nanjing Red Sun Stock Co. Ltd ("Red Sun")

(i) Acquisition of Nanjing Green Union Eco-Technology Ltd ("Nanjing GU")

	Nanjing GU's carrying value before acquisition and fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	27
Interest in associate	400
Receivables and prepayments	1,838
Bank balances and cash	22,644
Payable and accruals	(3,045)
	21,864
Minority interest	(7,705)
	14,159
Represented by:	
Transfer from interests in associates	8,716
Disposal of 5.75% interests in JT	5,443
	14,159
Cash inflow arising from acquisition:	
Bank balances and cash acquired	22,644

(ii) Disposal of Jiangsu Technology Union Eco-fertilizer Ltd ("JT")

	HK$'000
Net assets disposed:	
Property, plant and equipment	108,437
Prepaid lease for land	20,569
Inventories	19,105
Receivables and prepayments	85,693
Bank balances and cash	11,746
Payable and accruals	(49,496)
Bank and other loans	(101,000)
Minority interest	(388)
	94,666
Minority interest	(44,607)
	50,059
Represented by:	
Interests in associates	44,616
Acquisition of 24.51% interests in Nanjing GU	5,443
	50,059
Cash outflow arising from disposal:	
Bank balances and cash disposed of	11,746

In 2006, the Group announced the restructuring of the joint ventures with the Red Sun by two tranches. In December 2006, the Group completed the first tranche of restructuring whereby the Group had obtained an additional 24.51% interests in Nanjing GU from Red Sun and in return had disposed 5.75% interests in JT to Red Sun. Prior to the restructuring, the Group had 40% interests in Nanjing GU and 52.88% in JT. After the first tranche of restructuring, Nanjing GU has changed from an associate company to a subsidiary company while JT has changed from a subsidiary company to an associate company. The second tranche of restructuring is scheduled to be completed in mid 2007 whereby the Group will further dispose an additional 2.875% interests in JT and acquire an additional 12.25% interests in Nanjing G.U.

Nanjing GU only contributed insignificant turnover and profit to the Group since acquisition.

39. Segment Information

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

(a) Business segments

	Environment		Health		Investment		Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	549,922	425,317	1,388,635	117,167	258,561	151,895	–	–	2,197,118	694,379
Segment results	8,505	(21,482)	92,089	(5,316)	169,556	187,060	–	–	270,150	160,262
Other income									–	4,277
Business development expenditure	–	–	–	–	–	–	(41,212)	(28,889)	(41,212)	(28,889)
Research and development expenditure	–	–	–	–	–	–	(17,402)	(26,843)	(17,402)	(26,843)
Corporate expenses	–	–	–	–	–	–	(78,155)	(76,504)	(78,155)	(76,504)
Finance costs	–	–	–	–	–	–	(37,866)	(19,494)	(37,866)	(19,494)
Share of results of associates	2,930	3,337	–	–	–	–	–	–	2,930	3,337
Profit before taxation									98,445	16,146
Taxation									(1,653)	(5,368)
Profit for the year									96,792	10,778
Segment assets	500,852	617,749	3,643,341	651,242	1,111,160	1,819,390	–	–	5,255,353	3,088,381
Interests in associates	72,909	30,922	–	–	–	–	–	–	72,909	30,922
Bank balances and cash	–	–	–	–	–	–	–	–	411,693	372,433
Other assets	–	–	–	–	–	–	–	–	191,699	189,147
Total assets									5,931,654	3,680,883
Segment liabilities	(106,076)	(118,777)	(295,652)	(24,081)	(61,274)	(96,115)	–	–	(463,002)	(238,973)
Other liabilities	–	–	–	–	–	–	–	–	(506,628)	(657,823)
Total liabilities									(969,630)	(896,796)
Other information										
Amortization of intangible assets	2,776	2,781	19,506	1,977	–	–	–	–	22,282	4,758
Depreciation	11,210	6,685	23,253	8,196	–	–	11,508	17,007	45,971	31,888
Capital additions	15,408	23,143	2,493,656	65,149	–	–	2,079	11,059	2,511,143	99,351
Allowances for bad debts	(49)	1,166	8,750	–	–	–	–	–	8,701	1,166
Inventories written off	19	820	4,089	23	–	–	–	–	4,108	843

(b) Geographical segments

Turnover is analysed by the Group's sales by geographical market while the carrying amount of segments assets and capital additions is analysed by the geographical area in which the segment assets are located.

	Turnover		Segment assets		Capital additions	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong *(Note)*	181,092	17,059	544,731	396,987	55,014	62,183
Canada	166,579	111,300	464,452	441,333	8,893	2,603
Mainland China	121,503	138,109	52,088	243,143	19,307	28,732
Other Asian countries	12,680	7,444	5,781	50,193	–	–
Australia	415,517	278,062	461,560	382,041	14,948	3,747
America *(Note)*	1,215,842	28,762	3,059,348	345,202	2,410,970	–
Europe *(Note)*	83,905	113,643	667,393	1,229,482	2,011	2,086
	2,197,118	694,379	5,255,353	3,088,381	2,511,143	99,351

Note: including financial instruments

40. Related Party Transactions

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

a) The Group made sales of HK$11,173,000 (2005: HK$3,308,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

b) The Group made sales of HK$98,767,000 (2005: HK$16,552,000) to members of the Red Sun group. Red Sun is the substantial shareholder of Nanjing NG.

c) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a minority shareholder of a non-wholly owned subsidiary company, Vitaquest. The total rental payment by the Group to Leknarf amounted to HK$13,631,000 in 2006 (2005: Nil). Included in receivables and prepayments is prepaid rental amounted to HK$5,811,000 to Leknarf.

d) The Group was the manufacturer and exclusive supplier of the dietary supplement, food and cosmetic lines of products for Nu-Life Corp, ("Nu-Life"). Nu-Life is controlled by a substantial shareholder of Vitaquest and is a connected person of the Group. The total sum received by the Group from Nu-Life amounted to HK$20,229,000 in 2006 (2005: Nil). The outstanding balance due from Nu-Life at the year ended date amounted to HK$3,588,000 (2005: Nil).

The emoluments of key management have been presented in note 37 above.

C. SUMMARY OF UNAUDITED INTERIM FINANCIAL STATEMENTS

Set out below are the unaudited condensed consolidated income statement, condensed consolidated balance sheet, consolidated statement of changes in equity and condensed consolidated cash flow statement, together with the notes to the financial statements of the Group extracted from the half-year report of the Company for the six months ended 30 June 2007.

Condensed Consolidated Income Statement

		For the three months ended 30 June		For the six months ended 30 June	
		2007	2006	2007	2006
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*2*	593,817	494,636	1,097,609	922,150
Cost of sales		(392,178)	(290,438)	(723,509)	(554,311)
		201,639	204,198	374,100	367,839
Other income	*3*	(1,568)	15,928	4,238	26,889
Staff costs	*4*	(75,843)	(69,690)	(144,379)	(125,123)
Depreciation		(7,848)	(8,299)	(15,783)	(17,120)
Amortization of intangible assets		(7,608)	(3,924)	(15,295)	(5,449)
Fair value change of investments at fair value through profit and loss/derivative financial instruments		3,353	(39,699)	31,391	(53,706)
Gain on disposal of associates		2,712	–	2,712	–
Gain on disposal of a subsidiary		2,100	–	2,100	–
Other operating expenses		(81,546)	(67,290)	(167,110)	(154,358)
Finance costs		(6,596)	(12,187)	(12,577)	(21,399)
Share of results of associates		(2,033)	812	(3,864)	990
Profit before taxation		26,762	19,849	55,533	18,563
Taxation	*5*	8,806	3,229	9,937	6,235
Profit for the period		35,568	23,078	65,470	24,798
Attributable to:					
Equity holders of the Company		36,145	12,722	66,248	14,785
Minority interests		(577)	10,356	(778)	10,013
		35,568	23,078	65,470	24,798
Earnings per share	*6*				
– basic		0.38 cent	0.15 cent	0.69 cent	0.19 cent
– diluted		0.38 cent	0.15 cent	0.69 cent	0.19 cent

Condensed Consolidated Balance Sheet

	Notes	**As at 30 June 2007 (unaudited)** *HK$'000*	**As at 31 December 2006 (audited)** *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	350,570	358,180
Prepaid lease for land		12,545	12,700
Intangible assets	*9*	3,127,721	3,077,477
Interests in associates		21,739	72,909
Available-for-sale investments		154,079	155,727
Investments at fair value through profit and loss		965,185	920,265
Deferred taxation		41,808	19,178
		4,673,647	4,616,436
Current assets			
Investments at fair value through profit and loss		53,634	12,709
Derivative financial instruments		16,131	19,544
Inventories		342,798	320,489
Receivables and prepayments	*10*	531,510	502,852
Deposit with financial institution		47,931	47,931
Bank balances and deposits		309,666	411,693
		1,301,670	1,315,218
Current liabilities			
Payables and accruals	*10*	(316,264)	(438,286)
Derivative financial instruments		(90,443)	(63,630)
Bank Overdrafts		(31,662)	–
Bank loans	*11*	(225,618)	–
Finance lease obligations		(1,175)	(2,222)
Taxation		(13,199)	(16,057)
		(678,361)	(520,195)
Net current assets		623,309	795,023
Total assets less current liabilities		5,296,956	5,411,459

	Notes	As at 30 June 2007 (unaudited) HK$'000	As at 31 December 2006 (audited) HK$'000
Non-current liabilities			
Bank loans	11	(124,312)	(322,877)
Finance lease obligations		(1,191)	(1,505)
Loan from a minority shareholder		(24,711)	(23,828)
Deferred taxation		(101,894)	(101,225)
		(252,108)	(449,435)
Total net assets		5,044,848	4,962,024
Capital and reserves			
Share capital	12	961,107	961,107
Share premium and reserves		4,076,610	3,985,346
Equity attributable to equity holders of the Company		5,037,717	4,946,453
Minority interests		7,131	15,571
Total equity		5,044,848	4,962,024

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Employee share-based compensation reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interest	Total equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006									
At 1 January 2006	640,738	2,392,185	(27,602)	(35)	8,186	(277,212)	2,736,260	47,827	2,784,087
Loss on fair value changes of available-for-sale-investments	–	–	(6,764)	–	–	–	(6,764)	–	(6,764)
Employees' share options benefits	–	–	–	–	260	–	260	–	260
Exchange difference on translation of financial statements of overseas operations	–	–	–	14,298	–	–	14,298	–	14,298
Shares issued under rights issue	320,369	1,762,030	–	–	–	–	2,082,399	–	2,082,399
Transaction costs arising from rights issue	–	(6,696)	–	–	–	–	(6,696)	–	(6,696)
Arising from acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(1,709)	(1,709)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	193	193
Profit for the period	–	–	–	–	–	14,785	14,785	10,013	24,798
At 30 June 2006	961,107	4,147,519	(34,366)	14,263	8,446	(262,427)	4,834,542	56,324	4,890,866
2007									
At 1 January 2007	961,107	4,147,543	(22,945)	27,226	8,712	(175,190)	4,946,453	15,571	4,962,024
Loss on fair value changes of available-for-sale-investments	–	–	(1,648)	–	–	–	(1,648)	–	(1,648)
Employees' share options lapsed during the period	–	–	–	–	(1,141)	1,141	–	–	–
Release on disposal of a subsidiary	–	–	–	(912)	–	–	(912)	(7,662)	(8,574)
Release on disposal of associates	–	–	–	(3,628)	–	–	(3,628)	–	(3,628)
Exchange difference on translation of financial statements of overseas operations	–	–	–	31,204	–	–	31,204	–	31,204
Profit for the period	–	–	–	–	–	66,248	66,248	(778)	65,470
At 30 June 2007	961,107	4,147,543	(24,593)	53,890	7,571	(107,801)	5,037,717	7,131	5,044,848

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2007	**2006**
	(unaudited)	**(unaudited)**
	HK$'000	*HK$'000*
Net cash used in operating activities	(67,102)	(112,325)
Net cash outflow from investing activities	(52,832)	(2,006,029)
Net cash inflow from financing activities	17,907	2,065,400
Decrease in cash and cash equivalents	(102,027)	(52,954)
Cash and cash equivalents at beginning of the period	411,693	411,433
Cash and cash equivalents at end of the period	309,666	358,479

Notes to Condensed Consolidated Financial Statements

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. They have also been prepared under the historical cost convention, except for certain properties and financial instruments which are measured at revaluated amounts or fair values.

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2006.

2. Turnover and segment information

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discount as well as income from investment, and is analysed as follows:

A. Segment turnover

An analysis of the business segment turnover is as follows:

	For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Environment	210,587	251,042
Health	747,497	617,355
Investment income	139,525	53,753
	1,097,609	922,150

B. Segment results

An analysis of the business segment results is as follows:

	For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Environment	(1,954)	(1,993)
Health	35,436	80,490
Investment	81,861	18,149
	115,343	96,646
Business development expenditure	(15,588)	(22,607)
Research and development expenditure	(13,011)	(14,490)
Corporate expenses	(19,583)	(20,577)
Gain on disposal of associates	2,712	–
Gain on disposal of a subsidiary	2,100	–
Finance costs	(12,577)	(21,399)
Share of results of associates	(3,863)	990
Profit before taxation	55,533	18,563
Taxation	9,937	6,235
Profit for the period	65,470	24,798

3. Other income

Other revenue mainly comprises income from bank deposits and gain/(loss) on disposal of financial instruments.

4. Staff costs

Staff costs which include salaries, bonuses, equity-settled share-based payment, retirement benefit scheme contribution and recruitment costs for the three months and six months ended 30 June 2007 respectively amounted to HK$121,492,000 (2006: HK$139,337,000) and HK$242,504,000 (2006: HK$207,056,000) of which HK$3,569,000 (2006: HK$5,689,000) and HK$8,255,000 (2006: HK$11,284,000) relating to development activities were capitalized and HK$42,080,000 (2006: HK$63,958,000) and HK$89,870,000 (2006: HK$70,649,000) were allocated to costs of sales.

5. Taxation

	For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	3,312	–
Other jurisdictions	1,572	687
Deferred tax:		
Hong Kong	215	–
Other jurisdictions	(15,036)	(6,922)
	(9,937)	(6,235)

Hong Kong profits tax has been provided at the rate of 17.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Earnings per share

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

	For the three months ended 30 June		**For the six months ended 30 June**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the period				
Profit for calculating basic and diluted earnings per share	36,145	12,722	66,248	14,785
Number of shares				
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	9,611,072,400	8,578,568,622	9,611,072,400	7,894,035,731

The weighted average numbers of ordinary shares used in the calculation of earnings per share for the three months and six months ended 30 June 2006 have accounted for the issuance of new shares pursuant to the rights issue which was completed on 10 May 2006.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the three months and six months ended 30 June 2007.

7. Dividend

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. Property, plant and equipment

	Freehold land and building	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 January 2007	103,160	1,497	303,904	82,815	46,261	537,637
Net additions	480	279	17,716	2,707	2,638	23,820
Disposal of a subsidiary	–	(56)	–	(79)	–	(135)
At 30 June 2007	103,640	1,720	321,620	85,443	48,899	561,322
Accumulated depreciation						
At 1 January 2007	9,572	–	113,942	48,839	7,104	179,457
Provided for the period	1,546	–	20,985	6,543	2,281	31,355
Disposal of a subsidiary	–	–	–	(60)	–	(60)
At 30 June 2007	11,118	–	134,927	55,322	9,385	210,752
Net book value						
At 30 June 2007	92,522	1,720	186,693	30,121	39,514	350,570
At 31 December 2006	93,588	1,497	189,962	33,976	39,157	358,180

9. Intangible assets

	Development costs	Patents	Goodwill	Trade-mark	Customer relationship	Distribution network	Other intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 January 2007	248,408	14,342	2,482,526	110,592	209,539	37,463	7,936	3,110,806
Net additions	17,584	1,168	35,751	7,769	2,098	–	1,749	66,119
At 30 June 2007	265,992	15,510	2,518,277	118,361	211,637	37,463	9,685	3,176,925
Amortization								
At 1 January 2007	11,813	1,710	–	–	16,010	2,205	1,591	33,329
Provided for the period	1,674	207	–	–	11,128	1,941	925	15,875
At 30 June 2007	13,487	1,917	–	–	27,138	4,146	2,516	49,204
Net book value								
At 30 June 2007	252,505	13,593	2,518,277	118,361	184,499	33,317	7,169	3,127,721
At 31 December 2006	236,595	12,632	2,482,526	110,592	193,529	35,258	6,345	3,077,477

10. Receivables and payables

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

	As at 30 June 2007 *HK$'000*	As at 31 December 2006 *HK$'000*
Trade debtors		
0 – 90 days	292,968	359,183
> 90 days	38,376	32,297
	331,344	391,480
Trade creditors		
0 – 90 days	157,455	249,469
> 90 days	24,234	40,285
	181,689	289,754

11. Bank loans

Certain bank loans are secured by a charge over the assets of a subsidiary company.

12. Share capital

	Number of shares of HK$0.10 each *'000*	Nominal value *HK$'000*
Authorized		
At 31 December 2006 and 30 June 2007	15,000,000	1,500,000
Issued and fully paid		
At 31 December 2006 and 30 June 2007	9,611,073	961,107

13. Related party transactions

During the six months ended 30 June 2007, the Group entered into the following transactions with related parties:

a) The Group made sales of HK$11,082,000 (2006: HK$5,297,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

b) The Group leased certain properties from Leknarf Associates, LLC ("Leknarf") which is an associate of a minority shareholder of a non-wholly owned subsidiary company, Vitaquest International Holdings LLC ("Vitaquest"). The total rental payment by the Group to Leknarf amounted to HK$7,534,000 in 2007 (2006: HK$6,196,000). Included in receivables and prepayments is prepaid rental amounted to HK$355,000 (2006: HK$225,000) to Leknarf.

c) The Group was the manufacturer and supplier of the dietary supplement, food and cosmetic lines of products for Nu-Life Corp. ("Nu-Life"). Nu-Life is controlled by a substantial shareholder of Vitaquest and is a connected person of the Group. The sales made by the Group to Nu-Life amounted to HK$3,454,000 in 2007 (2006: HK$11,583,000). The outstanding balance due from Nu-Life at the period ended date amounted to HK$1,280,000 (2006: HK$7,497,000).

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

Deloitte.
德勤

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

We report on the unaudited pro forma financial information of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information on how the proposed acquisition of the entire issued share capital of Lipa Pharmaceuticals Limited (together with the Group hereinafter collectively referred to as the "Enlarged Group") might have affected the financial information presented, for inclusion in Appendix II of the circular dated 20 October 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 61 of Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2007, or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 October 2007

1. UNAUDITED PROFORMA BALANCE SHEET OF THE ENLARGED GROUP

The unaudited pro forma balance sheet of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2007 extracted from the half-year report issued by the Company on 13 August 2007 and the audited balance sheet of Lipa Pharmaceuticals Limited (the "Target Co") as at 30 June 2007 extracted from the accountants' report set out in Appendix III of this circular after making pro forma adjustments that are necessary. The financial information of the Target Co and the pro forma adjustments are translated from AUD to HK$ at the rate of 6.6655.

The unaudited pro forma balance sheet of the Enlarged Group has been prepared to provide unaudited pro forma financial information of the Enlarged Group as if the proposed acquisition of the entire issued share capital of the Target Co had been completed on 30 June 2007. As it has been prepared for illustrative purpose only and because of its hypothical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2007 or at any future date.

Unaudited pro forma balance sheet of the Enlarged Group
As at 30 June 2007

	The Group	**Target Co**	**Target Co**	**Total**	**Pro-forma adjustments**	**Enlarged Group**
	HK$'000	*AUD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(A)		*(B)*	*(A) + (B)*	*(C)*	*(A) + (B) + (C)*
Non-current assets						
Property, plant and equipment	350,570	45,879	305,806	656,376		656,376
Prepaid lease for land	12,545	–	–	12,545		12,545
Intangible assets	3,127,721	–	–	3,127,721	351,506(1)	3,479,227
Interests in associates	21,739	–	–	21,739		21,739
Available-for-sale investments	154,079	–	–	154,079		154,079
Investments at fair value through profit and loss	965,185	–	–	965,185		965,185
Receivables	–	550	3,666	3,666		3,666
Deferred taxation	41,808	–	–	41,808		41,808
	4,673,647	46,429	309,472	4,983,119		5,334,625

	The Group	Target Co	Target Co	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*AUD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(A)		*(B)*	*(A) + (B)*	*(C)*	*(A) + (B) + (C)*
Current assets						
Investments at fair value through profit and loss	53,634	–	–	53,634		53,634
Derivative financial instruments	16,131	–	–	16,131		16,131
Inventories	342,798	11,162	74,400	417,198		417,198
Receivables and prepayments	531,510	21,226	141,482	672,992		672,992
Other current assets	–	151	1,006	1,006		1,006
Tax recoverable	–	191	1,273	1,273		1,273
Deposits with financial institution	47,931	–	–	47,931		47,931
Bank balances and deposits	309,666	5,583	37,213	346,879	(346,879)(1)(2)	–
	1,301,670	38,313	255,374	1,557,044		1,210,165
Current liabilities						
Payables and accruals	(316,264)	(16,203)	(108,001)	(424,265)	(260,548)(2)	(684,813)
Derivative financial instruments	(90,443)	–	–	(90,443)		(90,443)
Bank overdrafts	(31,662)	–	–	(31,662)		(31,662)
Bank loans	(225,618)	(2,638)	(17,584)	(243,202)		(243,202)
Finance lease obligations	(1,175)	(1,727)	(11,511)	(12,686)		(12,686)
Taxation	(13,199)	–	–	(13,199)		(13,199)
	(678,361)	(20,568)	(137,096)	(815,457)		(1,076,005)
Net current assets	623,309	17,745	118,278	741,587		134,160
Total assets less current liabilities	5,296,956	64,174	427,750	5,724,706		5,468,785

	The Group	Target Co	Target Co	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*AUD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(A)		*(B)*	*(A) + (B)*	*(C)*	*(A) + (B) + (C)*
Non-current liabilities						
Bank loans	(124,312)	(18,028)	(120,165)	(244,477)		(244,477)
Finance lease obligations	(1,191)	(5,704)	(38,020)	(39,211)		(39,211)
Loan from a minority shareholder	(24,711)	–	–	(24,711)		(24,711)
Employee benefit obligation	–	(577)	(3,846)	(3,846)		(3,846)
Deferred taxation	(101,894)	(1,470)	(9,798)	(111,692)		(111,692)
	(252,108)	(25,779)	(171,829)	(423,937)		(423,937)
Total net assets	5,044,848	38,395	255,921	5,300,769		5,044,848
Capital and reserves						
Share capital	961,107	16,957	113,027	1,074,134	(113,027)(3)	961,107
Share premium and reserves	4,076,610	21,438	142,894	4,219,504	(142,894)(3)	4,076,610
Equity attributable to equity holders of the Company	5,037,717	38,395	255,921	5,293,638	(255,921)	5,037,717
Minority interests	7,131	–	–	7,131		7,131
Total equity	5,044,848	38,395	255,921	5,300,769		5,044,848

Notes:

(1) To reflect the payment of consideration of AUD91,130,000 (equivalent to HK$607,427,000) and the goodwill of HK$351,506,000 arising from acquisition of the Target Co. The goodwill is calculated based on the consideration less the carrying amounts of identifiable assets and liabilities of the Target Co at 30 June 2007 assuming that the fair values of the identifiable assets, liabilities and contingent liabilities at 30 June 2007 approximate to their carrying amounts. As the carrying amounts of the identifiable assets and liabilities of the Target Co at the date of Completion may be substantially different from their carrying amounts as at 30 June 2007, the actual goodwill arising from the Acquisition may be different from the estimated goodwill as shown above.

(2) To recognise the remaining consideration in excess of the bank balances and deposits as payables.

(3) To eliminate the share capital and the pre-acquisition reserves of the Target Co upon the acquisition.

2. INDEBTEDNESS

The Group

As at the close of business on 31 July 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowing of approximately HK$415,726,000. These borrowings comprised of secured borrowings of HK$261,133,000, other unsecured loans of HK$152,424,000 and finance lease obligations of HK$2,169,000.

As at 31 July 2007, certain assets with a net book value of HK$191,694,000 were pledged to secure borrowing facilities granted to the Group.

As at 31 July 2007, the Group had no significant contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 July 2007, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

Lipa

As at the close of business on 31 July 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, Lipa had total outstanding bank loans and commercial bills of approximately HK$127,667,000 and finance lease obligations of approximately HK$47,722,000, which were secured by certain assets of Lipa with carrying value of approximately HK$524,154,000 as at 31 July 2007.

Save as aforesaid, Lipa did not, at the close of business on 31 July 2007, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance lease, guarantees, or other material contingent liabilities.

The Directors confirm that there has been no material adverse change in relation to the indebtedness of the Enlarged Group since 31 July 2007.

3. WORKING CAPITAL

The Directors are of the opinion that, upon completion of the Acquisition and after taking into accounts the present available facilities and internal resources of the Enlarged Group and the expected payment to be made for the Acquisition, the Enlarged Group has sufficient working capital for the 12 months from the date of publication of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

Deloitte.
德勤

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20 October 2007

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

Dear Sirs,

We set out below our report on the financial information set out in sections I to IV (the "Financial Information") relating to Lipa Pharmaceuticals Limited (the "Target Co") for each of the three years ended 30 June 2007 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") dated 20 October 2007 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Co by CK Life Sciences Int'l., Inc., a subsidiary of the Company.

The Target Co was incorporated in Australia as a limited liability company under the laws of Australia on 28 June 1995. Its shares have been listed on the ASX Limited since 29 July 2004. The principal activities of the Target Co are the contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines.

The financial statements of the Target Co for the Relevant Periods were prepared in accordance with Australian Accounting Standards and were audited by Grant Thornton NSW.

We have examined the audited financial statements of the Target Co for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared in accordance with the accounting policies as set out in note 2 of section II of the Financial Information which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and based on the audited financial statements of the Target Co after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The financial statements of the Target Co are the responsibility of the directors of the Target Co who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the audited financial statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Target Co as at 30 June 2005, 30 June 2006 and 30 June 2007 and of its profit and cash flows of the Target Co for the Relevant Periods.

I. FINANCIAL INFORMATION

Income statement

		Year ended 30 June		
		2005	**2006**	**2007**
	Notes	*AUD'000*	*AUD'000*	*AUD'000*
Turnover	*5*	82,320	77,894	87,990
Cost of sales		(61,556)	(61,890)	(72,887)
Gross profit		20,764	16,004	15,103
Other income	*6*	677	305	133
Selling and distribution expenses		(482)	(884)	(927)
Administrative expenses		(4,468)	(4,854)	(4,944)
Other expenses		(366)	(683)	(130)
Finance costs	*7*	(1,597)	(1,859)	(2,099)
Profit before taxation	*8*	14,528	8,029	7,136
Taxation	*10*	(4,369)	(2,288)	(1,830)
Profit for the year		10,159	5,741	5,306
Dividends	*11*	4,170	6,955	4,077

Balance sheet

	Notes	At 30 June 2005 AUD'000	2006 AUD'000	2007 AUD'000
Non-current assets				
Property, plant and equipment	13	32,387	44,164	45,879
Trade and other receivables	15	–	–	550
		32,387	44,164	46,429
Current assets				
Inventories	14	7,024	10,191	11,162
Trade and other receivables	15	20,203	20,211	20,929
Other current assets	16	748	564	448
Tax recoverable		–	746	191
Bank balances and cash	17	9,925	4,382	5,583
		37,900	36,094	38,313
Current liabilities				
Trade and other payables	18	12,161	14,653	16,203
Tax liabilities		1,188	–	–
Obligation under finance leases	19	1,403	2,162	1,727
Borrowings	20	119	832	2,638
		14,871	17,647	20,568
Net current assets		23,029	18,447	17,745
Total assets less current liabilities		55,416	62,611	64,174
Non-current liabilities				
Employee benefit obligation	21	431	545	577
Obligation under finance leases	19	2,806	7,327	5,704
Borrowings	20	18,329	17,705	18,028
Deferred tax liabilities	22	892	1,210	1,470
		22,458	26,787	25,779
Net assets		32,958	35,824	38,395
Capital and reserves				
Share capital	23	11,600	15,667	16,957
Reserves		21,358	20,157	21,438
		32,958	35,824	38,395

Statement of changes in equity

	Share capital *AUD'000*	Share option reserve *AUD'000*	Employee performance share rights reserve *AUD'000*	General reserve *AUD'000* *(Note)*	Retained profits *AUD'000*	Total *AUD'000*
At 1 July 2004	102	–	–	2,488	12,992	15,582
Revaluation reserve released on disposal of property, plant equipment	–	–	–	(175)	–	(175)
Reversal of deferred tax arising on revaluation reserve released on disposal of property, plant equipment	–	–	–	52	–	52
Profit for the year	–	–	–	–	10,159	10,159
Total recognised income and expenses for the year	–	–	–	(123)	10,159	10,036
Issue of shares	12,500	–	–	–	–	12,500
Capital raising cost in relation to initial public offering	(3,291)	–	–	–	–	(3,291)
Shares issued under Dividend Re-investment Plan ("DRP")	2,289	–	–	–	–	2,289
Recognition of equity – settled share-based payment	–	12	–	–	–	12
Dividend recognised as distribution *(note 11)*	–	–	–	–	(4,170)	(4,170)
At 30 June 2005	11,600	12	–	2,365	18,981	32,958
Profit and total recognised income for the year	–	–	–	–	5,741	5,741
Shares issued under DRP	4,067	–	–	–	–	4,067
Recognition of equity – settled share-based payment	–	13	–	–	–	13
Dividend recognised as distribution *(note 11)*	–	–	–	–	(6,955)	(6,955)
At 30 June 2006	15,667	25	–	2,365	17,767	35,824
Profit and total recognised income for the year	–	–	–	–	5,306	5,306
Shares issued under DRP	1,290	–	–	–	–	1,290
Recognition of equity – settled share-based payment	–	13	–	–	–	13
Employee performance share rights granted	–	–	39	–	–	39
Dividend recognsied as distribution *(note 11)*	–	–	–	–	(4,077)	(4,077)
At 30 June 2007	16,957	38	39	2,365	18,996	38,395

Note: General reserve represented revaluation surplus for revaluation on plant and equipment in 2003 for the purpose of initial public offering on the ASX Limited. The revaluation reserve of AUD2,488,000 after tax-effect at 30 June 2004 was transferred to general reserve upon the transition to Hong Kong Financial Reporting Standards from 1 July 2004 as mentioned under "Property, plant and equipment" in note 2 of section II of the Financial Information.

Cash flow statement

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
OPERATING ACTIVITIES			
Profit before taxation	14,528	8,029	7,136
Adjustments for:			
Finance costs	1,597	1,859	2,099
Depreciation of property, plant and equipment	1,468	1,911	2,664
Amortisation of excess of carrying value of plant and equipment over proceeds received for sales and leaseback transaction	27	35	36
Loss on disposal of property, plant and equipment	132	9	–
Share-based payment expense	12	13	52
Allowance for doubtful debts	–	764	58
Write-down of inventories	164	367	270
Allowance for doubtful debts written back	(142)	–	(14)
Interest income	(645)	(295)	(123)
Increase in employee benefit obligation	84	114	230
Operating cash flows before movements in working capital	17,225	12,806	12,408
Decrease (increase) in inventories	1,168	(3,534)	(1,241)
Increase in trade and other receivables	(4,154)	(772)	(1,312)
Decrease in other current assets	419	149	80
(Decrease) increase in trade and other payables	(3,314)	2,492	1,550
Employee benefit obligation paid	–	–	(198)
Cash generated from operations	11,344	11,141	11,287
Income tax paid	(3,756)	(3,904)	(1,015)
NET CASH FROM OPERATIONS	7,588	7,237	10,272

	Year ended 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
INVESTING ACTIVITIES			
Interest received	645	295	123
Addition to property, plant and equipment	(23,431)	(6,725)	(4,379)
Repayment from related parties	906	–	–
Proceeds from disposal of property, plant and equipment	783	7	–
NET CASH USED IN INVESTING ACTIVITIES	(21,097)	(6,423)	(4,256)
FINANCING ACTIVITIES			
Finance costs paid	(1,597)	(1,859)	(2,099)
Proceeds from issuing shares	12,500	–	–
New borrowings raised	9,031	8,189	4,910
Payment of capital raising cost in relation to initial public offering	(1,637)	–	–
Repayments of obligations under finance leases	(1,635)	(1,699)	(2,058)
Repayments of borrowings	(1,329)	(8,100)	(2,781)
Dividend paid	(1,881)	(2,888)	(2,787)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	13,452	(6,357)	(4,815)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57)	(5,543)	1,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9,982	9,925	4,382
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9,925	4,382	5,583
Representing:			
Bank balances and cash	9,925	4,382	5,583

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Target Co is a limited liability company incorporated in Australia and its shares have been listed on the ASX Limited since 29 July 2004.

The principal activities of the Target Co are the contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines. The address of the registered office and the principal place of business is 21 Reaghs Farm Road, Minto NSW 2566, Australia.

The Financial Information is presented in Australian dollars, which is the same as the functional currency of the Target Co.

2. SIGNIFICANT ACCOUNTING POLICIES

The HKICPA issued a number of new or revised standard, amendments and interpretations ("new HKFRSs") which are effective for the Target Co's financial year beginning on 1 July 2006. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Target Co has adopted the new HKFRSs from 1 July 2004 and consistently adopted all these new HKFRSs throughout the Relevant Periods.

However, the Target Co has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The management of the Target Co anticipate that the application of these standards, amendment or interpretations will have no material impact on the Financial Information of the Target Co.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is stated at cost less accumulated impairment losses.

Prior to 1 July 2004, freehold land and buildings and certain plant and equipment were measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It was the policy of the Target Co to have an independent valuation every three years, with annual appraisals being made by the directors.

On transition to HKFRSs from 1 July 2004, in accordance with the transition provision allowed under HKFRS 1, the property, plant and equipment was reverted to cost basis through the adoption of deemed cost election. As a result, the balance of the asset revaluation reserve of AUD2,488,000 after tax-effect at 30 June 2004 applicable to those property, plant and equipment was transferred to a general reserve.

Depreciation is provided to write off the cost of items of property, plant and equipment other than freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as own assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Intangible assets

Research and development expenditures

Expenditure on research activities 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 clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Target Co becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Co's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target Co are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Target Co after deducting all of its liabilities. Equity instruments issued by the Target Co are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as other financial liabilities. Other financial liabilities, including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Co has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Impairment

At each balance sheet date, the Target Co reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Target Co has a present obligation as a result of a past event, and it is probable that the Target Co will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Target Co at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Share-based payment

The fair value of services received determined by reference to the fair value of share options and employee performance share rights granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve and employee performance share rights reserve respectively).

At each balance sheet date, the Target Co revises its estimates of the number of options and share rights that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve and employee performance share rights reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

At the time when the shares are issued under employee performance share rights scheme upon the satisfaction of the conditions under the scheme, the amount previously recognised in employee performance share rights reserve will be transferred to share premium. When the share rights are forfeited when the conditions under the scheme are not met, the amount previously recognised in employee performance share rights reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of the Target Co, transactions in currencies other than the functional currency of the Target Co (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Target Co operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognised in the Financial Information are disclosed below.

Doubtful debts allowance

Included in trade and other receivable at 30 June 2006 and 30 June 2007 is an amount receivable from sales made to a customer during the current and previous financial years amounting to AUD1,306,000. In December 2005, legal action has been taken against the customer to recover the debt. The directors consider that AUD550,000 of this debt will be covered by trade indemnity insurance. An allowance has been made during the year ended 30 June 2006 for AUD756,000 to cover the excess exposure on the insurance policy after taking into consideration the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

Interest rate risk

The Target Co is exposed to cash flow interest rate risk through the impact of interest rate changes on interest-bearing variable-rate bank borrowings and bank balances. The Target Co would consider to take actions to hedge against any foreseeable interest rate exposure, if necessary.

Credit risk

The Target Co's maximum credit risk exposure is primarily attributable to its trade and other receivables and bank balances. The carrying amounts of financial assets in the balances sheet represent the Target Co's maximum exposure to credit risk. The trade and other receivables presented in the balance sheet are net of allowance for doubtful receivables, if any, estimated based on prior experience.

The Target Co has exposed to concentration of credit risk, as the major customers are pharmaceutical companies operated in Australia and over 70% of the receivables balance is concentrated on a few customers. In order to minimise the credit risk, the management of the Target Co has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Co reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Target Co's credit risk is significantly reduced.

The credit risk for bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

Liquidity risk

The Target Co has sufficient funds to finance its ongoing working capital requirements, and when necessary, draws on its available credit facilities. The Target Co obtains a mix of short-term and long-term external finance to fund its operations.

b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transaction.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold after allowances for returns and trade discount and service income.

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Sale of goods	82,319	77,894	87,886
Rendering of services	1	–	104
	82,320	77,894	87,990

The Target Co operates predominantly in one business and geographical segment being manufacturing and distributing non-sterile, over-the-counter nutritional supplementary products throughout Australia.

6. OTHER INCOME

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Interest income	645	295	123
Others	32	10	10
	677	305	133

7. FINANCE COSTS

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Interest on bank borrowings wholly repayable within five years	982	1,012	1,199
Interest on finance leases	354	495	629
Bank fees and other charges	261	352	271
	1,597	1,859	2,099

8. PROFIT BEFORE TAXATION

	Year ended 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Profit before taxation has been arrived at after charging (crediting):			
Auditor's remuneration	42	50	74
Depreciation of property, plant and equipment	1,468	1,911	2,664
Loss on disposal of property, plant and equipment	132	9	–
Allowance for doubtful debts	–	764	58
Staff costs, including directors' remuneration			
– salaries and other benefits costs	15,747	19,156	19,623
– retirement benefits scheme contributions	1,249	1,555	2,031
– share-based payment expenses	12	13	52
Operating lease payment in respect of plant and equipment	48	88	174
Research and development expenses	624	1,536	2,839
Write-down of inventories	164	367	270
Allowance for doubtful debts written back	(142)	–	(14)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

For the year ended 30 June 2005

	Fees	Salaries and other benefits	Benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Share-based payment expense	Total
	AUD'000	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*
Executive directors							
Gorge Jovanov	–	337	60	–	36	–	433
Stanika Jovanova	–	155	45	–	36	–	236
	–	492	105	–	72	–	669
Non-executive directors							
John Harkness	–	114	–	–	10	4	128
Philip Johnston	–	62	–	–	6	4	72
Rod McGeoch	–	62	–	–	6	4	72
	–	238	–	–	22	12	272
Total	–	730	105	–	94	12	941

For the year ended 30 June 2006

	Fees	Salaries and other benefits	Benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Share-based payment expense	Total
	AUD'000	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*
Executive directors							
Gorge Jovanov	–	399	–	–	37	–	436
Stanika Jovanova	–	201	–	–	37	–	238
	–	600	–	–	74	–	674
Non-executive directors							
John Harkness	–	110	–	–	11	5	126
Philip Johnston	–	60	–	–	6	4	70
Rod McGeoch	–	60	–	–	6	4	70
	–	230	–	–	23	13	266
Total	–	830	–	–	97	13	940

For the year ended 30 June 2007

	Fees	Salaries and other benefits	Performance related incentive payment	Retirement benefits scheme contributions	Share-based payment expense	Total
	AUD'000	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*
Executive director						
Dusko Pejnovic	–	192	–	16	1	209
Non-executive directors						
John Harkness	–	110	–	10	5	125
Gorge Jovanov	–	368	–	20	–	388
Stanika Jovanova	–	178	–	19	–	197
Philip Johnston	–	60	–	6	4	70
Rod McGeoch	–	60	–	6	4	70
	–	776	–	61	13	850
Total	–	968	–	77	14	1,059

(b) Employees

Of the five individuals with the highest emoluments in the Target Co, two, two and three were directors of the Target Co whose emoluments are included in note 9 (a) above for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 respectively. Details of the aggregate emoluments paid to the remaining three, three and two individuals whose emoluments were among the five highest in the Target Co and which have not been included in director's emoluments above for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 respectively are set out below:

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Salaries and benefits	506	576	468
Share-based payment expense	–	–	18
Retirement benefits scheme contributions	36	51	40
	542	627	526

Their emoluments were within the following bands:

	Year ended 30 June		
	2005	**2006**	**2007**
Nil to AUD149,902 (equivalent to nil to HKD1,000,000)	1	–	–
AUD149,903 to AUD224,853 (equivalent to HKD1,000,001 to HKD1,500,000)	1	2	1
AUD224,854 to AUD299,805 (equivalent to HKD1,500,001 to HKD2,000,000)	1	1	–
AUD299,806 to AUD374,756 (equivalent to HKD2,000,001 to HKD2,500,000)	–	–	1
	3	3	2

During the Relevant Periods, no emolument was paid by the Target Co to the five highest paid individuals as an inducement to join or upon joining the Target Co or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

10. TAXATION

	Year ended 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
The charge comprises:			
Current tax			
– Current year	4,032	1,933	1,585
– Under(over)provision in respect of prior years	114	37	(15)
	4,146	1,970	1,570
Deferred tax *(note 22)*	223	318	260
	4,369	2,288	1,830

Income tax is calculated at the Australia income tax rate of 30% applied to the estimated assessable profit for the three years ended 30 June 2007.

The tax charge for the year can be reconciled to the profit before taxation as follows:

	Year ended 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Profit before taxation	14,528	8,029	7,136
Australia Income Tax rates	30%	30%	30%
Tax at Australia income tax	4,358	2,409	2,141
Tax effect of expenses not deductible	94	140	91
Tax benefits of research and development expenditure	–	(100)	(190)
Tax benefits of transaction costs relating to initial public offering	(197)	(198)	(197)
Under(over)provision in respect of prior year	114	37	(15)
Tax charge for the year	4,369	2,288	1,830

11. DIVIDENDS

	Year ended 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Interim dividend for 2005, 2006 and 2007	4,170	2,722	2,080
Final dividend for 2005 and 2006	–	4,233	1,997
	4,170	6,955	4,077

During the Relevant Periods, Dividend Re-investment Plan ("DRP") alternatives were offered in respect of interim and final dividends for the Relevant Periods. The DRP alternatives were accepted by the majority of shareholders, as follows:

	Year ended 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Dividends:			
Cash	1,881	2,888	2,787
DRP	2,289	4,067	1,290
	4,170	6,955	4,077

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE

Earnings per share of the Target Co is not presented herein as such information is not considered meaningful in the context of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land AUD'000	Buildings AUD'000	Plant and equipment AUD'000	Total AUD'000
Cost:				
At 1 July 2004	–	–	12,193	12,193
Additions	7,096	12,866	4,245	24,207
Disposals	–	–	(1,360)	(1,360)
At 30 June 2005	7,096	12,866	15,078	35,040
Additions	–	5,404	8,300	13,704
Disposals	–	–	(41)	(41)
At 30 June 2006	7,096	18,270	23,337	48,703
Additions	–	135	4,244	4,379
Disposals	–	–	(4)	(4)
At 30 June 2007	7,096	18,405	27,577	53,078
Accumulated depreciation:				
At 1 July 2004	–	–	1,314	1,314
Depreciation for the year	–	223	1,245	1,468
Eliminated on disposal	–	–	(129)	(129)
At 30 June 2005	–	223	2,430	2,653
Depreciation for the year	–	323	1,588	1,911
Eliminated on disposal	–	–	(25)	(25)
At 30 June 2006	–	546	3,993	4,539
Depreciation for the year	–	467	2,197	2,664
Eliminated on disposal	–	–	(4)	(4)
At 30 June 2007	–	1,013	6,186	7,199
Carrying values:				
At 30 June 2005	7,096	12,643	12,648	32,387
At 30 June 2006	7,096	17,724	19,344	44,164
At 30 June 2007	7,096	17,392	21,391	45,879

The above items of property, plant and equipment other than freehold land are depreciated on a straight-line basis over their useful lives as follows:

Buildings	40 years
Plant and equipment	4-20 years

The carrying values of plant and equipment held under finance leases as at 30 June 2005, 30 June 2006 and 30 June 2007 are AUD6,906,000, AUD12,857,000 and AUD10,511,000 respectively.

14. INVENTORIES

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Raw materials	5,890	7,628	9,613
Work-in-progress	601	1,756	1,164
Finished goods	533	807	385
	7,024	10,191	11,162

15. TRADE AND OTHER RECEIVABLES

The Target Co maintains a defined credit policy, which normally allows an average credit period of 30 to 60 days to its trade customers.

The aged analysis of trade receivables, which are included in trade and other receivables, are as follows:

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Trade receivables			
Less than 30 days	14,482	16,519	14,536
31-60 days	2,691	1,829	3,116
61-90 days	2,684	959	1,869
Over 90 days	239	627	1,493
	20,096	19,934	21,014
Less: Amount due within one year included in current assets	(20,096)	(19,934)	(20,464)
Amount due after one year	–	–	550

16. OTHER CURRENT ASSETS

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Prepayments	464	404	297
Others	284	160	151
	748	564	448

17. BANK BALANCES AND CASH

Bank balances comprise cash held by the Target Co and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates which range from 5.53% to 5.64% per annum for 2005, 5.50% to 5.95% per annum for 2006 and 5.79% to 6.56% per annum for 2007.

18. TRADE AND OTHER PAYABLES

The aged analysis of the trade payables, which are included in the Target Co's trade and other payables, are as follows:

	As at 30 June 2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Trade payables			
Less than 30 days	1,524	3,366	2,327
31-60 days	3,959	4,614	7,851
61-90 days	3,780	3,017	3,037
91-120 days	584	1,162	328
	9,847	12,159	13,543

19. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments As at 30 June			Present value of minimum lease payments As at 30 June		
	2005	2006	2007	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*	*AUD'000*
Amounts payable under finance leases:						
Within one year	1,668	2,797	2,631	1,403	2,162	1,727
In more than one year but not more than two years	1,326	2,017	2,162	1,162	1,472	1,162
In more than two years but not more than three years	724	1,131	2,114	623	677	1,097
In more than three years but not more than four years	525	1,327	1,969	495	934	227
In more than four years but not more than five years	445	4,903	2,236	526	4,244	3,218
	4,688	12,175	11,112	4,209	9,489	7,431
Less: future finance charges	(479)	(2,686)	(1,614)	N/A	N/A	N/A
Present value of lease obligations	4,209	9,489	9,498	4,209	9,489	7,431
Less: Amount due within one year shown under current liabilities				(1,403)	(2,162)	(1,727)
Amount due after one year				2,806	7,327	5,704

The effective borrowing rates for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 were 7.12%, 6.81% and 6.94% per annum respectively. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20. BORROWINGS

	As at 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Bank loans, secured	18,329	18,432	20,666
Other loans, unsecured	119	105	–
	18,448	18,537	20,666

Carrying amount repayable:

	As at 30 June		
	2005	2006	2007
	AUD'000	*AUD'000*	*AUD'000*
Within one year	119	832	2,638
In more than one year but not more than two years	1,853	2,705	2,964
In more than two years but not more than three years	1,476	–	3,237
In more than three years but not more than four years	–	–	1,102
In more than four years but not more than five years	15,000	15,000	10,725
	18,448	18,537	20,666
Less: Amount due within one year shown under current liabilities	(119)	(832)	(2,638)
Amount due after one year	18,329	17,705	18,028

The weighted average effective interest rates on the Target Co's borrowings are as follows:

	Year ended 30 June					
	Amount	2005	Amount	2006	Amount	2007
	AUD'000		*AUD'000*		*AUD'000*	
Effective interest rate:						
Fixed-rate borrowings	119	9.11%	–	–	–	–
Variable-rate borrowings	18,329	6.31%	18,537	6.15%	18,599	6.46%

21. EMPLOYEE BENEFIT OBLIGATION

	AUD'000
At 1 July 2004	347
Charged to income statement	84
At 30 June 2005	431
Charged to income statement	114
At 30 June 2006	545
Charged to income statement	230
Benefits paid	(198)
At 30 June 2007	577

The charge for the year is included in staff costs disclosed in note 8.

Under the relevant regulation in Australia, the employees are entitled to a long service payment after ten years of service.

The main assumptions used in the valuation of long service payments are as follows:

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Discount rate	5.15%	5.88%	6.26%
Expected rate of salary increases	5.55%	5.55%	5.55%

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Target Co and the movements thereon during the current and prior financial years:

	Accelerated tax depreciation	**Revaluation of properties, plant and equipment**	**Others**	**Total**
	AUD'000	*AUD'000*	*AUD'000*	*AUD'000*
At 1 July 2004	102	1,066	(447)	721
Charge (credit) to income statement	393	–	(170)	223
Credited to equity	–	(52)	–	(52)
At 30 June 2005	495	1,014	(617)	892
Charge (credit) to income statement	519	–	(201)	318
At 30 June 2006	1,014	1,014	(818)	1,210
Charge (credit) to income statement	242	–	18	260
At 30 June 2007	1,256	1,014	(800)	1,470

23. SHARE CAPITAL

Issued and fully paid ordinary shares:

	Number of shares As at 30 June			Share capital As at 30 June		
	2005	2006	2007	2005	2006	2007
	'000	*'000*	*'000*	*AUD'000*	*AUD'000*	*AUD'000*
At beginning of year	81,337	91,028	93,762	102	11,600	15,667
New shares issued under Initial Public Offering of 8,333,334 ordinary shares at $1.50 per share on 29 July 2004	8,333	–	–	12,500	–	–
New shares issued of 1,357,859 ordinary shares at $1.6855 each to shareholders who opted to reinvest their interim dividends under the Company's Dividend Re-investment Plan (DRP) on 30 March 2005	1,358	–	–	2,289	–	–
Transaction costs relating to share issues	–	–	–	(3,291)	–	–
New shares issued of 1,553,128 ordinary shares at $1.6078 each to shareholders who opted to re-invest their interim dividends under the Company's DRP on 1 September 2005	–	1,553	–	–	2,497	–
New shares issued of 1,180,637 ordinary shares at $1.3300 each to shareholders who opted to re-invest their interim dividends under the Company's DRP on 28 February 2006	–	1,181	–	–	1,570	–
New shares issued of 1,627,526 ordinary shares at $0.71 each to shareholders who opted to re-invest their final dividends under the Company's DRP on 30 September 2006	–	–	1,627	–	–	1,156
New shares issued of 184,134 ordinary shares at $0.730 each to shareholders who opted to re-invest their interim dividends under the Company's DRP on 2 April 2007	–	–	184	–	–	134
At end of the year	91,028	93,762	95,573	11,600	15,667	16,957

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Target Co had aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of plant and equipment which fall due as follows:

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Within one year	45	175	174
In the second to fifth year inclusive	48	332	254
	93	507	428

Operating leases are non-cancellable with a lease term of five years.

25. CAPITAL COMMITMENTS

	As at 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
At the respective balance sheet dates, the Target Co had commitment for capital expenditure as follows:			
Contracted for but not provided in the Financial Information for acquisition of property, plant and equipment	6,039	2,478	–

26. PLEDGE OF ASSETS

At the balance sheet date, the Target Co had pledged the following assets as securities against the bank loan and finance lease facilities granted to the Target Co:

	At 30 June		
	2005	**2006**	**2007**
	AUD'000	*AUD'000*	*AUD'000*
Property, plant and equipment	32,387	44,164	45,879
Trade receivables	20,096	19,934	21,014
Inventories	7,024	10,191	11,162
Bank balances and cash	9,925	4,382	5,583
Other current assets	748	564	448
Other receivables	107	277	465
	70,287	79,512	84,551

27. SHARE-BASED PAYMENT TRANSACTIONS

The Target Co's share option scheme (the Scheme), was adopted pursuant to a share option deed signed on June 2004 for the primary purpose of providing incentives to non-executive directors, and will expire on 5 August 2009.

At 30 June, 2005, 2006 and 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 225,000, representing 0.2% of the shares of the Target Co in issue at that date.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date after the third anniversary of the date of grant of the share option to the date ending on the fifth anniversary of the date of grant. The relevant vesting period is three years from date of grant.

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise Price**
5 August 2004	5 August 2007 to 5 August 2009	AUD1.8

The following table discloses movements of the Target Co's share options held by non-executive directors throughout the Relevant Periods:

Option type	**Outstanding at 1 July 2004**	**Granted on 5 August 2004**	**Outstanding at 30 June 2005, 2006 and 2007**
5 August 2004	–	225,000	225,000

The estimated fair value of the options on the date of grant calculated using the binomial model was AUD0.17 per option. The inputs into the valuation model were as follows:

Weighted average share price	AUD1.5
Exercise price	AUD1.8
Expected volatility	30%
Expected life	5 years
Risk-free rate	5.9%
Expected dividend yield	6.2%

Expected volatility was determined by reference to the historical volatility of the companies operated in the same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Target Co recognised the total expense of AUD12,000, AUD13,000 and AUD13,000 for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 respectively in relation to share options granted by the Target Co.

28. MAJOR NON-CASH TRANSACTIONS

During the years ended 30 June 2005 and 30 June 2006, the Target Co entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of AUD776,000 and AUD6,979,000 respectively.

During the years ended 30 June, 2005, 30 June 2006 and 30 June 2007, new shares were issued to shareholders who opted to re-invest their interim or final dividends under the Target Co's DRP of which are set out in note 23.

29. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2005, the Target Co acquired the freehold land and buildings from the Jovanov Unit Trust for total consideration of AUD15,469,000. Gorge Jovanov and Stanika Jovanova, the executive directors of the Target Co who became non-executive directors during the year ended 30 June 2007, are beneficiaries under the Jovanov Unit Trust.

During the years ended 30 June 2006 and 30 June 2007, the Target Co had sales with Novogen Limited amounting to AUD380,000 and AUD845,000 respectively. Mr. Philip Johnston, one of the non-executive directors of the Target Co, is also a director of Novogen Limited.

III. SUBSEQUENT EVENTS

The Target Co has entered into a scheme implementation agreement (the "Scheme") dated 3 August 2007 with CK Life Sciences Int'l., Inc. that all the Target Co's issued shares will be transferred to CK Life Sciences Int'l., Inc. subject to the satisfaction or waiver of conditions precedent to the implementation of the Scheme. No other significant events took place subsequent to 30 June 2007.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statement of the Target Co has been prepared in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

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

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the Shares

		Number of Ordinary Shares					
Name of Director	**Capacity**	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**	**Approximate % of Shareholding**
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	2,250,000	–	–	4,258,634,570 *(Note)*	4,260,884,570	44.33%
Kam Hing Lam	Interest of child or spouse	–	6,225,000	–	–	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Chu Kee Hung	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	–	–	–	1,050,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	375,000	–	–	–	375,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	–	–	–	200,000	0.002%

Notes: Such 4,258,634,570 Shares are held by a subsidiary of CKH. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of CKH and thus is taken to be interested in those 4,258,634,570 Shares held by the subsidiary of CKH under the SFO.

(2) Long positions in the underlying Shares

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

Name of Director	**Date of grant**	**Number of share options outstanding as at the Latest Practicable Date**	**Option period**	**Subscription price per Share**
				HK$
Yu Ying Choi, Alan Abel	30/9/2002	348,440	30/9/2003 – 29/9/2012	1.422
	27/1/2003	775,560	27/1/2004 – 26/1/2013	1.286
	19/1/2004	775,560	19/1/2005 – 18/1/2014	1.568
Chu Kee Hung	30/9/2002	348,440	30/9/2003 – 29/9/2012	1.422
	27/1/2003	775,560	27/1/2004 – 26/1/2013	1.286
	19/1/2004	775,560	19/1/2005 – 18/1/2014	1.568

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or were otherwise notified to the Company were as follows:

(1) Long positions of substantial Shareholders in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	4,258,634,570	44.30%
Gotak Limited	Interest of a controlled corporation	4,258,634,570 *(Note i)*	44.30%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,258,634,570 *(Note ii)*	44.30%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,258,634,570 *(Note iii)*	44.30%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,258,634,570 *(Note iii)*	44.30%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	4,258,634,570 *(Note iii)*	44.30%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,258,634,570 *(Note iv)*	44.30%
Trueway International Limited	Beneficial owner	2,119,318,286	22.05%
Li Ka Shing Foundation Limited	Interest of controlled corporations	2,835,759,715 *(Note v)*	29.50%

(2) Long position of other person in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	716,441,429	7.45%

Notes:

i. 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 is deemed to be interested in the same number of Shares in which Gold Rainbow was interested under the SFO.

ii. As Gotak Limited is wholly-owned by CKH, CKH is deemed to be interested in the same number of Shares which Gotak Limited is deemed to be interested under the SFO.

iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. TDT1 as trustee of DT1 and TDT2 as trustee of DT2 hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. Under the SFO, each of TUT as trustee of the LKS Unity Trust, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of Shares as CKH is deemed to be interested as disclosed in Note ii above.

iv. As Mr. Li Ka-shing owns one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT, TDT1 and TDT2 and is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in the same number of Shares in which CKH is deemed to be interested as mentioned above under the SFO.

v. Trueway and Triluck are wholly-owned by Li Ka Shing Foundation Limited ("LKSF") and LKSF is deemed to be interested in a total of 2,835,759,715 Shares under the SFO, being the aggregate of the Shares in which Trueway and Triluck were interested as shown against the names Trueway and Triluck above.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following shareholders were interested in 10% or more of the equity interests of the following subsidiaries of the Company:

Name of subsidiary	**Name of shareholder**	**No. and class of shares held**	**% of shareholding**
AquaTower Pty Ltd	Gotak Investment Limited	49 ordinary shares	49%
PT Far East Agritech	PT Anggraini Mulia	60,000 ordinary shares	40%
Vitaquest International Holdings LLC	VQ Investments, Inc.	N/A *(Note 1)*	19.5% *(Note 1)*
Polynoma LLC	Maanex LLC	N/A *(Note 2)*	23.34% *(Note 2)*

Notes:

1. Vitaquest International Holdings LLC is a limited liability company established under the laws of the state of Delaware, the United States of America, of which VQ Investments, Inc. holds 19.5% partnership interests.

2. Polynoma LLC is a limited liability company established under the laws of the state of Delaware, the United States of America, of which Maanex LLC holds 23.34% partnership interests.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

4. DETAILS OF OPTIONS GRANTED BY THE COMPANY

The Company has adopted the Share Option Scheme under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme.

As at the Latest Practicable Date, options to subscribe for an aggregate of 14,544,109 Shares granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	**Number of share options outstanding as at the Latest Practicable Date**	**Option period**	**Subscription price per Share** *HK$*
30/9/2002	2,556,538	30/9/2003 – 29/9/2012 *(Note 1)*	1.422
27/1/2003	5,603,251	27/1/2004 – 26/1/2013 *(Note 2)*	1.286
19/1/2004	6,384,320	19/1/2005 – 18/1/2014 *(Note 3)*	1.568

Notes:

1. The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting periods:

   (i) up to 35% of the options commencing on 30 September 2003;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

2. The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting periods:

   (i) up to 35% of the options commencing on 27 January 2004;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 27 January 2005; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 27 January 2006.

3. The options are exercisable from 19 January 2005 to 18 January 2014 (both days inclusive) subject to the following vesting periods:

   (i) up to 35% of the options commencing on 19 January 2005;

   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 19 January 2006; and

   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 19 January 2007.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of the Directors, management Shareholders or their respective associates in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the GEM Listing Rules were as follows:

(1) Core business activities of the Group

(i) Research and development, manufacturing, commercialization, marketing and selling of environmental and human health products.

(ii) Investment in various financial and investment products.

(2) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business *(Note 2)*
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman *(Note 1)*	(ii)
	Hutchison Whampoa Limited	Executive Director and Deputy Chairman *(Note 1)*	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman *(Note 1)*	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director *(Note 1)*	(ii)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director *(Note 1)*	(ii)
	Hutchison Whampoa Limited	Executive Director *(Note 1)*	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director *(Note 1)*	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director	(ii)

Name of Director	Name of Company	Nature of Interest	Competing Business *(Note 2)*
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(ii)
	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(i) & (ii)
	TOM Group Limited	Non-executive Director	(ii)
	CATIC International Holdings Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
	The Ming An (Holdings) Company Limited	Non-executive Director	(ii)
Wong Yue-chim, Richard	Great Eagle Holdings Limited	Independent Non-executive Director	(ii)
	Orient Overseas (International) Limited	Independent Non-executive Director	(ii)
Kwok Eva Lee	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
Colin Stevens Russel	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)

Notes:

1. Apart from holding the directorships, Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam and/or their respective family members have direct and/or indirect interests in the shares of such companies where appropriate.

2. Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors, the management Shareholders or their respective associates have any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Enlarged Group.

7. DIRECTORS' INTERESTS IN CONTRACTS

(a) As at the Latest Practicable Date, none of the Directors had an existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Enlarged Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

Within the two years preceding the date of this circular, there was no contract (not being contracts entered into in the ordinary course of business) entered into by members of the Enlarged Group which was or might be material.

9. EXPERT AND CONSENT

The following is the qualification of the accountant who has given its opinions in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any assets which have been since 31 December 2006, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Enlarged Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with inclusion of its reports both dated 20 October 2007 and the references to its name included herein in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong on weekdays other than public holidays up to and including 5 November 2007:

(a) memorandum and articles of association of the Company;

(b) the 2005 and 2006 annual reports of the Company for the two financial years ended 31 December 2005 and 2006 respectively;

(c) the report from Deloitte Touche Tohmatsu on financial information of Lipa, the text of which is set out in Appendix III to this circular, together with the statement of adjustments;

(d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma balance sheet of the Enlarged Group, the text of which is set out in Appendix II to this circular;

(e) the letter of consent from Deloitte Touche Tohmatsu referred to in the section headed "Expert and Consent" in this Appendix;

(f) the written approval given by Gold Rainbow, Trueway and Triluck in relation to the Acquisition dated 3 August 2007;

(g) the circular dated 30 March 2007 in relation to the proposed election of Directors at the annual general meeting, proposed general mandates to issue new Shares and repurchase Shares, proposed amendment to the Company's articles of association and notice of annual general meeting;

(h) the circular dated 22 June 2007 in relation to the major transactions in respect of the disposal of equity interests in Nanjing Green Union Eco-Technology Limited, Jiangsu Technology Union Eco-fertilizer Limited and Jiangsu Prosperous Union Crop Sciences Limited; and

(i) the circular dated 5 October 2007 in relation to the discloseable transaction in respect of the acquisition of approximately 17.86% interest in Tongrui Holdings Limited.

11. OTHER INFORMATION

(a) The company secretary of the Company is Ms. Eirene Yeung who is a solicitor of the High Court of Hong Kong and of the Supreme Court of Judicature in England and Wales. She also holds a Master's degree in Business Administration and a Master of Science degree in Finance.

(b) Mr. Mo Yiu Leung, Jerry is the qualified accountant of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

(c) Mr. Yu Ying Choi, Alan Abel is the compliance officer of the Company. He is currently an Executive Director, and the Vice President and Chief Operating Officer of the Company.

(d) The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference in accordance with the provisions set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. The existing Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel, further details of whom are set out below:

WONG Yue-chim, Richard, SBS, JP, aged 55, currently serves as Deputy Vice-Chancellor of The University of Hong Kong. Professor Wong has been active in advancing economic research on policy issues in Hong Kong and Mainland China through his work as founding Director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 by the Government of Hong Kong for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong is also an Independent Non-executive Director of each of Great Eagle Holdings Limited, Industrial and Commercial Bank of China (Asia) Limited, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and The Link Management Limited. Professor Wong was previously an Independent Non-executive Director of Pacific Century Insurance Holdings Limited (now known as Fortis Asia Holdings Limited and de-listed on 15 August 2007) *(resigned on 25 June 2007)*. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Group in June 2002 and is the Chairman of the Audit Committee of the Company.

KWOK Eva Lee, aged 65, currently serves as the Chair and Chief Executive Officer of Amara International Investment Corporation. Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. and Bank of Montreal. She is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation. Mrs. Kwok was previously an Independent Director of Shoppers Drug Mart Corporation *(resigned on 16 October 2006)*, Air Canada *(resigned on 3 October 2003)* and Telesystems International Wireless (TIW) Inc. *(resigned on 2 December 2003)*. Mrs. Kwok was appointed an Independent Non-executive Director of the Group in June 2002 and is a member of the Audit Committee and the Remuneration Committee of the Company.

RUSSEL, Colin Stevens, aged 66, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organizations on business strategy and planning, market development, competitive positioning and risk management. Mr. Russel also acts as the Managing Director of EMAS (HK) Ltd and an Executive Director of China Autoparts Group Ltd and China Auto International Ltd. He was the Canadian Ambassador to Venezuela *(from 2001 through 2002)*, Consul General for Canada in Hong Kong *(from 1997 through 2001)*, Director for China of the Department of Foreign Affairs, Ottawa *(from 1994 through 1997)*, Director for East Asia Trade in Ottawa *(from 1993 through 1994)*, Senior Trade Commissioner for Canada in Hong Kong *(from 1990 through 1993)*, Director for Japan Trade in Ottawa *(from 1988 through 1990)*, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India *(from 1972 through 1988)*. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries *(from 1962 through 1971)*. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada. Mr. Russel is an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited. He was appointed an Independent Non-executive Director of the Group in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

(e) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(i) the Chairman of the meeting; or

(ii) at least five Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) any Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or

(iv) any Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Unless a poll is so required under the GEM Listing Rules or duly demanded and, in the latter case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

(f) There is no variation to the aggregate remuneration payable to and benefits in kind receivable by the directors of Lipa in consequence of the Acquisition.

(g) The registered office of the Company is situated at P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

(h) The head office of the Company is situated at 2 Dai Fu Street, Tai Po Industrial Estate, Tai Po, Hong Kong and the principal place of business of the Company is situated at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

(i) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(j) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

This circular (in both English and Chinese versions) ("Circular") has been posted on the Company's website at www.ck-lifesciences.com. Shareholders who have chosen to rely on copies of the Company's corporate communication (including but not limited to annual report, summary financial report (where applicable), half-year report, summary half-year report (where applicable), quarter report, notice of meeting, listing document, circular and proxy form) posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Circular.

Shareholders who have chosen to receive the corporate communication using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Circular posted on the Company's website will promptly upon request be sent the Circular in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communication by notice in writing to the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive printed copy of the corporate communication in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.