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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)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

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

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

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

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

CHAIRMAN'S STATEMENT

Healthy Strides Sustained Growth

The call for enhanced environmental protection resonates throughout the world, and good health is a pre-requisite for quality living. The environment and health related businesses of CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries ("CK Life Sciences" or the "Group") complement well these global trends with products fulfilling popular demand worldwide. In the two years or so since listing, the Group's business and scope of operations have expanded steadily, and the satisfactory results have given us great encouragement.

I am pleased to announce that the Group has made solid progress on all fronts in 2004 – from financial results, corporate expansion to research & development ("R&D"). Looking forward, we expect that the Group will continue to make healthy strides and generate growth and development year after year.

Financial Highlights – Sales Revenue Surges 5 Times

HK\$'000	Annual Results		
	2004	2003	Increase (%)
Sales revenue	160,510	27,563	482
Investment proceeds	169,117	164,705	2.6
Total revenue	329,627	192,268	71.4
Profit attributable to shareholders	1,929	928	107

The audited financial results for the year ended 31 December 2004 represent a great leap over last year, and quarter-on-quarter increases have been recorded throughout the year. Sales revenue reached HK\$160.5 million, an increase of almost 5 times over the HK\$27.6 million recorded in 2003. Investment proceeds came to HK\$169 million, representing an increase of about 2.6% over the HK\$164.7 million recorded last year. Combining sales and investment proceeds, a total revenue of HK\$329.6 million was recorded for the Group in the fiscal year 2004, a 71% increase over 2003. For the year under review, profit attributable to shareholders was HK\$1.9 million.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2004.

Review

In the past year, the Group achieved solid business progress and expanded the scope of R&D, notching up a diverse range of achievements:

(1) Sales

(i) *Environmental Business*

The sales of fertilizer products increased significantly in 2004 with HK\$147 million in revenue recorded, representing an increase of 524% over 2003. Aside from achieving strong sales in China and South East Asian countries, the Group successfully extended the fertilizer business to two new markets, namely Japan and South Korea. These two countries are key strategic markets in the Asia Pacific region with huge market potential. Including Japan and South Korea, the sales network for the Group's eco-fertilizer now spans 13 countries and regions across three continents.

(ii) *Health-related Business*

During the year, several new products were launched under the VitaGain™ brand. These include "VitaGain™ For Daily Immunity" oral liquid; capsules of "VitaGain™ For Daily Immunity" and "VitaGain™ Nasal Allergy Relief"; and "Immune Booster MACIMA™" oral liquid which is suitable for those who have undergone major surgery or before, during or after radiotherapy/chemotherapy. These additions greatly strengthened the VitaGain™ product line and increased the revenue streams.

(2) Acquisitions

In the past year, apart from actively increasing sales channels and expanding market coverage, the Group also accelerated the penetration of target markets through timely acquisitions. In 2004, the Group:

- (i) Acquired a distribution network and began establishing a production facility in Jiangsu together with our Mainland partner Nanjing Red Sun Co Ltd;
- (ii) Purchased a 60% stake in South Australian fertilizer company, Fertico Pty Limited;
- (iii) Fully acquired Paton Fertilizers Pty Ltd, a fertilizer company with an extensive sales network along the Eastern seaboard of Australia; the addition of Paton is expected to help in speeding up the market take-up rate in the Australian agriculture market;
- (iv) Acquired 51% of AquaTower Pty Ltd, a water plant in Victoria, Australia, widening the scope of operations in the bioremediation business.

These four acquisitions enabled the Group to enlarge our sales force, sales and distribution network as well as customer base within a short period of time.

(3) Research & Development

(i) *Immunity Research*

Satisfactory results have been recorded in a series of immunity research studies conducted in collaboration with the Partners AIDS Research Center at Massachusetts General Hospital of Harvard Medical School; Peking Union Medical College; and The Chinese University of Hong Kong. Various *in vitro* and *in vivo* trials have demonstrated that the Group's product is able to induce the secretion of cytokines and increase the phagocytic index of macrophage, affirming the efficacy of the product in immunity modulation.

(ii) *Cancer Research*

A series of *in vitro* and *in vivo* studies conducted in conjunction with The Chinese Academy of Medical Sciences Cancer Institute and Hospital, Cancer Research Foundation in China, The Chinese University of Hong Kong, The University of Hong Kong, The Hong Kong University of Science and Technology and The University of British Columbia, Canada have indicated that the anti-cancer product developed by the Group has inhibitory effects on different kinds of cancer cells. Findings from an application research study have also indicated that the Group's product is effective in improving the quality of life of cancer patients undergoing or who have completed radiotherapy and/or chemotherapy by strengthening their immunity.

A series of clinical trials targeting colorectal cancer, lung cancer, liver cancer, breast cancer and prostate cancer are underway.

(iii) *AIDS Research*

The Group has conducted a series of trials with the Partners AIDS Research Center at Massachusetts General Hospital of Harvard Medical School, Beijing You An Hospital, Peking Union Medical College Hospital and Australia's Swinburne University. An *in vitro* study demonstrated that the Group's product induced cytokine secretion by several kinds of innate immune cells in the blood samples of AIDS patients. Preliminary results from an application research and a clinical study showed that the Group's product can alleviate symptoms of the disease and increase CD4 cell counts, thereby enhancing patients' immunity.

(4) CK Cancer Institute

To accelerate the pace of cancer research, the Group established the CK Cancer Institute to conduct research studies and to carry out cancer-related community services.

A series of public seminars have been conducted and a cancer hotline set up to increase the community's knowledge in the battle against cancer. Briefings on the Group's cancer research results allow the public to better understand the close relationship between immunity and cancer.

(5) ISO Certification and Patent Application

(i) ISO Certification

The Group has been accredited with the ISO 9001:2000 certification in seven different areas pertaining to the administration of laboratories; research for eco-fertilizer, animal feed additive and bioremediation products; pre-clinical and clinical research of human-health related products; as well as product quality assurance and control.

(ii) New Patent Development for Pharmaceuticals

The Group was granted a total of 7 patents in US during the year of 2004, 2 for eco-fertilizer products, and 5 for nutraceutical products. Towards the end of 2004 and at the beginning of 2005, the US Patent and Trademark Office further granted 7 new patent notices of allowance to the Group's pharmaceutical and bioremediation inventions, namely methods and compositions for treating renal failure, male sexual dysfunction, Hepatitis B and epilepsy in the pharmaceutical category; and methods and compositions for degrading nitrogen-containing compounds, degrading polymeric compounds and degrading odour in the bioremediation category.

Including the additional 7 notices of allowance, the Group now possesses 25 patents and notices of allowance. Among them, 14 are environmental inventions and 11 health related ones. The patent portfolio of the Group has gradually widened from the environmental category to the health category, which commands stricter conditions and a higher qualification threshold. These achievements further enlarged the dimensional scale of the patent portfolio and strengthened the breadth and depth of the Group's product offerings, reflecting the R&D capability and long term value of the Group.

The latest status for the Group's patent applications is as follows:

	Eco-agriculture		Bio-remediation	Nutra-ceuticals	Pharma-ceuticals	Dermato-logicals	Total
	Eco-fertilizer	Animal Feed Additives					
Patent Granted	6	-	5	7	-	-	18
Notice of Allowance Received	-	-	3	-	4	-	7
Patent Pending	-	14	-	3	27	-	44
Drafting Stage	4	4	7	-	19	5	39
Total	10	18	15	10	50	5	108

Prospects

(1) Environmental Business: Global Concerns Fuel Demand

Today's business corporations are expected to reduce environmental impact and implement remedial solutions on waste generated while carrying out their operations. At the same time, higher safety standards in agricultural produce are increasingly in demand. These prevailing trends in the global arena pose a favourable environment for the Group's environment related businesses.

In 2005, the Group will enlarge the operation scale of our fertilizer and environmental business in existing markets, while continuing to extend the geographical coverage.

(2) Health-related Business: More Products to be Launched

In 2004, new cases involving novel strands of human and bird flu were reported, placing health as a priority on the public agenda. At the same time, an aging population has highlighted the problem of chronic diseases such as cancer and the decline of bodily functions. The VitaGain™ brand of nutraceuticals developed based on the Group's "Immune Enhancement" R&D platform have been found to be effective in modulating the immune system, alleviating symptoms and decreasing the chance of contracting diseases.

In 2005, the Group will expedite the launch of more health supplements under the VitaGain™ brand to broaden our product range.

(3) R&D: Further Extension of Geographical Coverage

The Group's strategy has always been to launch products with a shorter research cycle to generate revenue for R&D works. Adopting a prudent and strategic approach to financial planning, the Group has ample financial resources to cater for rapid progress in R&D.

Coming up, more R&D programmes will be launched. Collaboration with world renowned institutions will continue to further increase R&D progress for the enhancement of the Group's future prospects.

(4) Acquisitions: Expand Corporate Scale

Looking ahead, we will continue our efforts in achieving organic growth, while at the same time make every endeavour to look for companies with solid business foundations that offer synergies to the Group's existing businesses, so as to accelerate the Group's market penetration rate, further extend our distribution network, and enhance our production scale, as well as enrich our R&D capability. It is expected that this two-pronged strategy of organic growth and acquisition will expedite the Group's pace of development.

Looking Ahead

Looking ahead, I have full confidence in the prospects for the Group as it is well placed for strong growth in the future. CK Life Sciences will uphold the mission of "Restoring Freshness to Nature; Bringing Quality to Life" and continue to work in the arenas of environment and health. We are glad to be involved in such a meaningful mission. I would like to thank our shareholders, Board of Directors, our staff and business partners who share our vision. Their support has given us great impetus in realizing our mission. Looking ahead, we will continue to work hard in improving the quality of life for mankind and to create a better future for us all.

I would like to take this opportunity to welcome two new Independent Non-executive Directors to the Board of the Company: Mr. Kwan Chiu Yin, Robert and Mr. Colin Stevens Russel. Bringing with them tremendous experience and a strong international outlook, I am sure CK Life Sciences stands to benefit from their contributions to the Group in the future.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 11 March 2005

FINANCIAL REVIEW

Financial resources, liquidity and treasury policies

In 2004, the Group continued to operate in a sound and healthy financial position with adequate resources for its scientific research activities and business development.

As at 31 December 2004, the net asset value of the Group was about HK\$2,795,705,000, representing HK\$0.44 per share. The total bank balances and cash amounted to HK\$442,850,000, of which HK\$157,000,000 was applied to fund its business expansion and research and development activities. Since the above new subsidiary companies had maintained loans, the Group started to record total borrowings of HK\$94,322,000 in 2004. As such, the gearing ratio, which is borrowings over shareholders' fund, was 0.03.

The Group has maintained the same investment and treasury policies as before in managing its financial instruments and foreign currency exposures. With the aim to achieve higher return for the Group, a total sum of about HK\$1,862,188,000 was invested in different financial instruments at the end of the year under review, from which an investment income of about HK\$204,423,000 was recorded. In view of the continuing expansion of its business overseas in the coming years, the Group will closely monitor the overall exchange and interest rate exposures and will apply appropriate financial tools, where necessary, to ensure that the risks on such exposures are reduced to the minimum.

Material acquisition/disposals and significant investment

Other than the acquisition of an Australian fertilizer company as per the circular to shareholders dated 5 July 2004, there were no other material acquisitions in the year 2004 which would have been required to be disclosed under the GEM Listing Rules. The Group continued to invest significantly in research and development activities and such investment amounted to about HK\$91,384,000 in 2004.

Capital commitments and future plans for material investments or capital assets

As of the end of 2004, the total capital commitments by the Group amounted to HK\$15,597,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

Information on employees

The expansion of the Group's business, particularly in China and Australia, had resulted in an increase in the total staff number from 298 in 2003 to 411 in 2004. The additional headcount was mainly to cope with the increasing marketing and research and development activities. The total staff costs, including directors' emoluments, amounted to approximately HK\$105,636,000 for 2004.

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. Besides, a share option scheme has been adopted as a long-term incentive scheme for the employees. Recreational, social and sport activities were also arranged for the employees during the year.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2004 [2003: Nil].

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2004

	<i>Notes</i>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Turnover	3	329,627	192,268
Cost of sales		(134,506)	(17,689)
Other income	4	47,881	25,546
Staff costs	5	(105,636)	(99,517)
Depreciation		(23,829)	(18,812)
Amortization of development costs		(2,481)	(2,464)
Amortization of patents		(348)	(334)
Amortization of goodwill		-	(179)
Other operating expenses		(109,450)	(78,162)
Profit from operations		1,258	657
Finance costs		(4,438)	-
Gain on disposal of an associate		4,179	-
Share of results of associates		3,282	41
Profit before taxation		4,281	698
Taxation	6	(3,551)	-
Profit before minority interests		730	698
Minority interests		1,199	230
Profit attributable to shareholders		1,929	928
Earnings per share	7		
- Basic (Hong Kong cents)		<u>0.030 cents</u>	<u>0.014 cents</u>
- Diluted (Hong Kong cents)		<u>0.030 cents</u>	<u>0.014 cents</u>

BALANCE SHEET
As at 31 December 2004

	<i>Note</i>	The Group	
		2004	2003
		HK\$'000	HK\$'000
Non-current assets			
Fixed assets		376,253	184,884
Development costs		128,336	92,330
Patents		9,416	9,994
Goodwill		34,215	-
Interests in associates		27,585	32,975
Investments in securities		1,523,840	1,955,161
Other investments		211,166	240,553
		<u>2,310,811</u>	<u>2,515,897</u>
Current assets			
Investments in securities		97,795	-
Other investments		29,387	27,763
Inventories		41,484	10,105
Receivables and prepayments		140,480	65,706
Bank balances and cash		442,850	240,258
		<u>751,996</u>	<u>343,832</u>
Current liabilities			
Payables and accruals		(112,946)	(46,292)
Finance leases obligations		(371)	-
Bank loans		(20,368)	-
Other loan		(13,737)	-
Taxation		(2,174)	-
		<u>(149,596)</u>	<u>(46,292)</u>
Net current assets		<u>602,400</u>	<u>297,540</u>
Total assets less current liabilities		<u>2,913,211</u>	<u>2,813,437</u>
Non-current liabilities			
Finance leases obligations		(621)	-
Bank loan		(60,217)	-
Loan from a minority shareholder		(7,239)	-
Deferred taxation		(146)	-
		<u>(68,223)</u>	<u>-</u>
Minority interests		<u>(49,283)</u>	<u>(121)</u>
Total net assets		<u>2,795,705</u>	<u>2,813,316</u>
Capital and reserves			
Share capital		640,738	640,703
Share premium and reserves	9	2,154,967	2,172,613
Total shareholders' funds		<u>2,795,705</u>	<u>2,813,316</u>

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 GEM of the Stock Exchange.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong as well as the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) which together with the Statement of Standard Accounting Practice (“SSAP”) and interpretations issued by the HKICPA are collectively referred to as HKFRSs. The HKFRS and HKAS are effective for accounting periods beginning on or after 1 January 2005.

The Group has early adopted HKFRS 3 “Business Combination”, HKAS 36 “Impairment of Assets” and HKAS 38 “Intangible Assets” which supersede SSAP 30 “Business Combination”, SSAP 29 “Intangible Assets” and SSAP 31 “Impairment of Assets” respectively in the current year’s financial statements.

For those new and revised HKFRSs that the Group did not early adopt in the financial statements for the year ended 31 December 2004, the Group has commenced an assessment of the impact of these other HKFRSs though it is not yet in a position to state whether such HKFRSs would have a significant impact on the Group’s results of operations and financial position for the accounting year beginning on 1 January 2005.

3. 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:

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Environment	155,032	23,692
Health	5,478	3,871
Investment	169,117	164,705
	<u>329,627</u>	<u>192,268</u>

To better reflect the Group's activities and for reporting purpose, the Group has re-grouped its operations into 3 business segments: Environment, Health and Investment. The sales of products of the Group have been consolidated into Environment and Health while income from investment in financial instruments has been included as the Group's turnover. Comparative figures have been re-stated to conform with the current year's presentation.

4. OTHER INCOME

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Included in other income are:		
Interest income from bank	3,455	2,686
Amortisation of discount on other investments	11,676	13,231
Discount on acquisition of subsidiary	3,288	-
Gain on disposal/redemption of investments in securities	23,559	8,696

5. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$129,489,000 (2003: HK\$120,139,000) of which HK\$23,853,000 (2003: HK\$20,622,000) relating to development activities was capitalized.

Staff costs also include operating lease rentals of HK\$793,000 (2003:HK\$889,000) in respect of accommodation provided to staff.

6. TAXATION

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Current tax		
Hong Kong	2,174	-
Other jurisdictions	228	-
Deferred tax		
Hong Kong	146	-
Share of taxation of associates - Other jurisdictions	1,003	-
	<u>3,551</u>	<u>-</u>

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. No provision for profits tax has been made for last year as there was no assessable profit for that year.

7. EARNINGS PER SHARE

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

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Profit for the year		
Profit for calculating basic and diluted earnings per share	<u>1,929</u>	<u>928</u>
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	6,407,316,727	6,407,007,562
Effect of dilutive potential ordinary shares	<u>546,091</u>	<u>1,229,999</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>6,407,862,818</u>	<u>6,408,237,561</u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2004 (2003:Nil).

9. SHARE PREMIUM AND RESERVES

	Share premium	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group					
2003					
At 1 January 2003	2,391,662	46,042	-	(284,320)	2,153,384
Shares issued under share option scheme	45	-	-	-	45
Realized on disposal/redemption of investments in securities	-	(11,579)	-	-	(11,579)
Surplus on revaluation of investments in securities	-	29,485	-	-	29,485
Exchange difference on translation of financial statements of overseas operations	-	-	350	-	350
Profit for the year	-	-	-	928	928
At 31 December 2003	2,391,707	63,948	350	(283,392)	2,172,613
2004					
At 1 January 2004	2,391,707	63,948	350	(283,392)	2,172,613
Shares issued under share option scheme	478	-	-	-	478
Realized on disposal/redemption of investments in securities	-	(70,711)	-	-	(70,711)
Surplus on revaluation of investments in securities	-	49,058	-	-	49,058
Exchange difference on translation of financial statements of overseas operations	-	-	1,600	-	1,600
Profit for the year	-	-	-	1,929	1,929
At 31 December 2004	2,392,185	42,295	1,950	(281,463)	2,154,967

At the balance sheet date, the accumulated losses of the Group included the Group's share of the undistributed retained profits of the associates amounting to HK\$2,114,000 (2003: HK\$41,000).

10. SEGMENT INFORMATION

An analysis of the business segment results is as follows

	Environment		Health		Investment		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	155,032	23,692	5,478	3,871	169,117	164,705	-	-	329,627	192,268
Segment results	(44,695)	(46,257)	(29,989)	(30,246)	204,423	186,632	-	-	129,739	110,129
Other income									7,265	3,619
Business development expenditure	-	-	-	-	-	-	(26,007)	(22,002)	(26,007)	(22,002)
Research and development expenditure	-	-	-	-	-	-	(39,308)	(26,037)	(39,308)	(26,037)
Corporate expenses									(70,431)	(65,052)
Profit from operations									1,258	657
Finance costs									(4,438)	-
Gain on disposal of an associate									4,179	-
Share of results of associates	3,282	41	-	-	-	-	-	-	3,282	41
Profit before taxation									4,281	698
Taxation									(3,551)	-
Profit before minority interests									730	698
Minority interests									1,199	230
Profit attributable to shareholders									1,929	928

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES AND CODE ON CORPORATE GOVERNANCE PRACTICES

With the exception that the Non-executive Directors have no set term of office but retire from office on a rotational basis in accordance with the Company's Articles of Association, the Company has, throughout the year ended 31 December 2004, complied with the Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules which was in force prior to 1 January 2005. The Company's Articles of Association have been amended on 20 May 2004 to provide that all Directors shall retire on such manner of rotation as required by the GEM Listing Rules, i.e. once every three years.

The Board Practices and Procedures set out in Rules 5.35 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the GEM Listing Rules which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

AUDIT COMMITTEE

The GEM Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors with at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1 January 2005 in terms substantially the same as the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises four members all of whom are Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mr. Kwan Chiu Yin, Robert and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting process and internal controls. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met four times in 2004.

The Group's annual results for the year ended 31 December 2004 have been reviewed by the Audit Committee.

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Tzar Kuoi, Victor (Chairman), Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Yu Ying Choi, Alan Abel, Dr. Pang Shiu Fun, Dr. Chu Kee Hung and Mr. Lam Hing Chau, Leon; and the Non-executive Directors are Mr. Kwan Chiu Yin, Robert (Independent Non-executive Director), Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard (Independent Non-executive Director), Mrs. Kwok Eva Lee (Independent Non-executive Director) and Mr. Colin Stevens Russel (Independent Non-executive Director).

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