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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 2005

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 is 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

Poised for Promising Growth

2005 has been a milestone year of growth for CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Group"). Through our twin strategies of organic growth and active acquisitions, the scale and reach of our business has been significantly extended. This has resulted in solid growth in sales and profits.

At the same time, a strong foundation has been laid for future development. A series of acquisitions, in both our health and environmental businesses, have had a very positive impact on CK Life Sciences. With the groundwork completed in 2005, the Group looks forward to a year of promising growth in 2006.

To mark the start of this upcoming landmark year, the Group is pleased to announce a major acquisition in the beginning of 2006. Last month, CK Life Sciences signed an agreement to purchase an 80% stake in the largest custom contract nutraceutical manufacturer and a leading manufacturer and marketer of branded nutritional products in the US – Vitaquest International Holdings LLC ("Vitaquest"). This acquisition marks a new development in the Group's acquisition strategy. It strengthens our core business and contributes in accelerating our global expansion pace.

CK Life Sciences is poised to become a global biotechnology company that is able to offer fully vertically-integrated solutions to improve human health and the environment, from R&D to product development to commercialization. Our business has grown in breadth and depth. With an extensive portfolio of products in the pipeline and an increasingly wide-reaching sales and distribution network, we are optimistic about our growth prospects.

Financial Highlights – Sales Revenue More Than 2 Times Last Year

HK$'000	2005	2004 (restated)	Increase/ (Decrease) (%)
Sales revenue	542,484	160,510	238
Investment proceeds	151,895	169,117	(10)
Total revenue	694,379	329,627	111
Profit/ (loss) attributable to shareholders	12,234	(3,968)	408

The audited financial results for the year ended 31 December 2005 demonstrate considerable strides forward for CK Life Sciences. Sales revenue reached HK$542 million, representing more than 3 times over the HK$161 million recorded in 2004. A total revenue of HK$694 million was registered by the Group in 2005, a 111% increase over 2004. For the year under review, profit attributable to shareholders was HK$12 million (as compared to a loss of HK$4 million in 2004, which was restated due to the adoption of the new Hong Kong Financial Reporting Standards).

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2005.

2005 – Review of a Milestone Year

In 2005, our business has grown through a series of strategic acquisitions in Australia and North America. Sales have been boosted by organic growth as well as the addition of new revenue streams. Our global presence has been extended, while our R&D work continues to make solid progress.

(1) Acquisitions Drive Growth

Acquisitions are a major tenet of the Group's expansion strategy, enabling CK Life Sciences to extend its presence into new and existing markets quickly, while also adding new sources of revenue. In 2005, the Group acquired two companies in the Australian turf and home garden industries, as well as a major Canadian natural health product company. These acquisitions were completed in the second and third quarters and as a result, solid sales growth was recorded in the second half of the year. The acquisitions for 2005 were:

May
Santé Naturelle A.G. Ltée ("A.G.") – the largest natural health product company in Québec, Canada. This acquisition marks the Group's first venture into the enormous North American market. A.G.'s extensive range of natural health products will complement and enhance our existing portfolio of nutraceuticals. At the same time, we will leverage on our vast sales and distribution network to bring A.G. products to new markets.

August
Envirogreen Pty Limited ("Envirogreen") – the second largest supplier of home garden products and the largest supplier of packaged/premixed planting materials in Australia. This acquisition will significantly boost CK Life Sciences' fertilizer business in Australia's home garden market.

Nuturf Australia Pty Ltd ("Nuturf") – the leading supplier of products and technical support to the professional turf industry in Australia. Since the acquisition, the Group's sales force in Australia has been strengthened, product portfolio extended and access to a valuable customer base expanded.

(2) Sales Growth Substantial

In addition to the income generated by new acquisitions, CK Life Sciences has recorded substantial sales growth in its existing businesses. Overall, we are pleased to report that sales have increased to HK$542 million, over 3 times that of 2004:

(a) *Agriculture-related Business* – Sales increased by 1.7 times in 2005, with a total of HK$425 million in revenue recorded. This growth was driven mainly by strong sales in China and Australia. Our sales network for the Group's fertilizer business now spans 14 countries and regions.

(b) *Health-related Business* – Global sales grew by an impressive 20 times in 2005, significantly enhanced by the addition of A.G. to the Group's portfolio. As the VitaGain® range of products expanded, the Group's sales base was broadened. The Group now plans to introduce the range of "Adrien Gagnon" products to new markets across the world.

CK Life Sciences has great confidence in all its businesses, especially in regard to health-related products and nutraceuticals. It is expected that performance will excel further.

(3) Pursuit of Research & Development Breakthroughs

In 2005, the Group continued to adopt a prudent and disciplined approach in R&D:

(a) *New Patent Development* – Since the beginning of 2005, the Group was granted 9 patents for its inventions by the US Patent and Trademark Office, with the total up to now amounting to 27.

(b) *Progress in Cancer Research* – Good progress has been made in the area of cancer research by the Group. Of the 18 anti-cancer pharmaceutical patent applications filed to the US Patent and Trademark Office, 4 have been granted patents, including those for colorectal, cervical, lung and testicular cancer.

Conducted in conjunction with some of the leading research institutes in the world, our pre-clinical studies have achieved positive results. We are now proceeding with clinical trials on lung cancer, colorectal cancer, breast cancer, prostate cancer, and liver cancer with The Chinese University of Hong Kong, The University of Hong Kong and the Prince of Wales Hospital respectively.

The Group has now carried out pre-clinical and clinical studies in collaboration with over 20 renowned universities and research institutes across the world, spanning Hong Kong, Mainland China, the United States, Canada and Australia in the areas of cancer, AIDS and immuno-enhancing research.

Prospects – Strong Growth Expected

(1) Vitaquest – A Growth Platform in North America

The acquisition of Vitaquest represents a milestone achievement for the Group. Vitaquest has a good strategic fit with CK Life Sciences and offers synergies with our core business by: boosting our product portfolio; enhancing our product offerings and formulations; strengthening our R&D and manufacturing capabilities; and widening our sales and distribution network.

(2) Acquisition to Drive Growth

The Group has dedicated special efforts to exploring acquisition opportunities to drive growth over the last few years. CK Life Sciences will continue to consider investments around the globe, including those in North America, Europe, Australia and Asia. Several projects are already at a relatively mature stage.

(3) More Products to be Launched

CK Life Sciences will continue to roll out new products to increase global market penetration, as well as introduce new products from our overseas companies and partners. At the same time, we will widen our sales and distribution network to bring our product range to more markets outside of Hong Kong.

(4) R&D Success to be Achieved

Our R&D platform is one of the foundations of our business. Continuing efforts will be made based on our immune enhancement platform. As our research studies and clinical trials with various leading institutions reap encouraging results, we look forward to creating breakthrough products for the future.

Looking Ahead

The Group is about to embark on a transformational year of growth in 2006. The Group will continue to strengthen our R&D platform in a prudent and disciplined way, and will accelerate the expansion of our business and widen the geographic reach through overseas acquisitions. The aim is to establish new milestones in revenue and profit growth in the course of a very short period of time. With our defined strategies to speed up business growth and development, we are fully confident of achieving robust growth in the immediate term, as well as sustaining a strong performance in the longer term. We look forward to a bright future, as all of the right ingredients are there to enable us to achieve solid sustainable growth in the years to come.

I would like to take this opportunity to thank our shareholders, Board of Directors, our staff and business partners for their support. Together, we can look forward to a landmark 2006. We are fully committed to making this a promising year for CK Life Sciences.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 17 March 2006

FINANCIAL REVIEW

Financial resources, liquidity and treasury policies

The Group continued to maintain a sound liquidity position in 2005. It derived its financial resources mainly from internal resources and bank borrowings. As at 31 December 2005, the total assets amounted to HK$3,680,883,000 of which marketable securities were HK$1,773,082,000 and total bank balances and cash were HK$372,433,000. The marketable securities generated a total investment income of HK$215,038,000 while the total bank balances and cash generated a total interest income of HK$14,200,000 for the year under review.

At the balance sheet date, the total liabilities were HK$896,796,000, comprising bank loans amounted to HK$554,280,000. The bank loans were obtained to finance the acquisitions of the three overseas subsidiaries during the year as well as to fund the daily operation of some overseas subsidiaries. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, an overseas subsidiary had also pledged to a bank all its assets which had a carrying value of HK$160,627,000 as at 31 December 2005 for the bank loans of approximately HK$373,650,000. As a result of these bank loans, the gearing ratio of the Group, which is based on total bank borrowings over total equity, was increased from 0.03 in 2004 to 0.2 in 2005. The net asset value of the Group was HK$0.43 per share.

In view of the quick globalization of its business, the Group has centralized its treasury functions at the head office for better management of foreign exchange risk as well as more cost effectiveness in funding arrangement. The Group would monitor regularly and closely its funding requirements locally and overseas in order to reduce its exposures on currency and interest rate fluctuations. In addition, each operating entity within the Group would borrow in local currencies, wherever necessary and possible, in order to minimize its currency risk.

Material acquisitions/disposals and significant investments

During the year under review, the Group completed the acquisitions of three overseas companies: Développement Santé Naturella A.G. Ltée, a Canadian nutraceutical company in May; Envirogreen Pty Limited, an Australian company specializing in horticultural products and Nuturf Australia Pty Ltd, an Australian company engaging in the distribution of turf management products, both in August. The total consideration for these acquisitions amounted to approximately HK$513,262,000.

On 3 February 2006, the Company made an announcement regarding the acquisition of Vitaquest International Holdings LLC. ("Vitaquest"), a US company engaged in the business of supplying and manufacturing nutritional supplements worldwide. The consideration for the acquisition of Vitaquest which had an enterprise value of US$345,000,000 is approximately US$166,000,000. As Vitaquest has a bank loan currently estimated to be US$143,000,000, the Company will also arrange for an equivalent amount to be funded to Vitaquest upon completion of the acquisition. The acquisition has constituted a very substantial acquisition under the GEM Listing Rules. A circular providing detailed information of the acquisition and its impact on the Group will be dispatched to shareholders shortly. An extraordinary general meeting will be held for shareholders to approve the acquisition.

Other than aforementioned, there were no other material acquisitions which would have been required to be disclosed under the GEM Listing Rules.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$94,286,000 for the year under review.

Capital commitments and future plans for material investments or capital assets

As of 31 December 2005, the total capital commitments by the Group amounted to HK$2,481,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

Information on employees

With the continuous growth of the existing business and the acquisition of three more overseas subsidiaries in 2005, the number of full-time employee of the Group was increased to 775 at the end of the year, an 89 % more or 364 additional headcount as compared to the year end of 2004. These employees were stationed in various locations - 230 employees in Hong Kong, 315 in China, 159 in Australia and 71 in Canada. The total staff costs, including directors' emoluments, amounted to approximately HK$172,579,000 for the year under review.

The Group's remuneration policies and fringe benefits remained basically the same as before. The Group would ensure the pay levels of its employees are competitive and are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2005 (2004: Nil).

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2005

	Notes	**2005**	Restated 2004
		HK$'000	HK$'000
Turnover	*3*	**694,379**	329,627
Cost of sales		**(386,536)**	(134,506)
		307,843	195,121
Other income	*4*	**80,412**	47,881
Staff costs	*5*	**(142,711)**	(111,533)
Depreciation		**(28,836)**	(23,515)
Amortization of intangible assets		**(4,758)**	(2,829)
Fair value change of financial instruments		**(28,165)**	-
Other operating expenses		**(151,482)**	(109,764)
Finance costs	*6*	**(19,494)**	(4,438)
Gain on disposal of an associate		**-**	4,179
Share of results of associates		**3,337**	2,279
Profit/(loss) before taxation		**16,146**	(2,619)
Taxation	*7*	**(5,368)**	(2,548)
Profit/(loss) for the year		**10,778**	(5,167)
Attributable to:			
Equity holders of the Company		**12,234**	(3,968)
Minority interests		**(1,456)**	(1,199)
		10,778	(5,167)
Earnings/(loss) per share	*8*		
- Basic		0.19 cent	(0.062 cent)
- Diluted		0.19 cent	(0.062 cent)

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	2005	Restated 2004
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**359,953**	348,335
Prepaid lease for land	**27,827**	27,918
Intangible assets	**738,738**	171,967
Interests in associates	**30,922**	27,585
Debt investment	**174,179**	-
Available-for-sale investments	**210,879**	-
Investments at fair value through profit and loss	**1,280,331**	-
Investments in securities	**-**	1,523,840
Other investments	-	211,166
Deferred taxation	**7,216**	-
	2,830,045	2,310,811
Current assets		
Debt investment	**36,986**	-
Investments at fair value through profit and loss	**48,346**	-
Derivative financial instruments	**22,361**	-
Investments in securities	**-**	97,795
Other investments	**-**	29,387
Inventories	**127,914**	41,484
Receivables and prepayments	**202,990**	140,480
Taxation	**808**	-
Deposit with financial institution	**39,000**	-
Bank balances and deposits	**372,433**	442,850
	850,838	751,996
Current liabilities		
Payables and accruals	**(216,958)**	(112,946)
Bank loans	**(93,080)**	(20,368)
Other loan	**-**	(13,737)
Finance lease obligations	**(559)**	(371)
Derivative financial instruments	**(54,736)**	-
Taxation	**-**	(2,174)
	(365,333)	(149,596)
Net current assets	**485,505**	602,400
Total assets less current liabilities	**3,315,550**	2,913,211
Non-current liabilities		
Bank loans	**(461,200)**	(60,217)
Loan from a minority shareholder	**(34,252)**	(7,239)
Finance lease obligations	**(1,741)**	(621)
Deferred taxation	**(34,270)**	(146)
	(531,463)	(68,223)
Total net assets	**2,784,087**	2,844,988
Capital and reserves		
Share capital	**640,738**	640,738
Share premium and reserves	**2,095,522**	2,154,967
Equity attributable to equity holders of the Company	**2,736,260**	2,795,705
Minority interests	**47,827**	49,283
Total equity	**2,784,087**	2,844,988

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	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 2004	640,703	2,391,707	63,948	350	-	(283,392)	**2,813,316**	121	**2,813,437**
Effect of changes in accounting policies (note 2)	-	-	-	-	1,666	(1,666)	-	-	-
At 1 January 2004 restated	640,703	2,391,707	63,948	350	1,666	(285,058)	**2,813,316**	121	**2,813,437**
Surplus on revaluation of investments in securities	-	-	49,058	-	-	-	**49,058**	-	**49,058**
Exchange difference on translation of financial statements of overseas operations	-	-	-	1,600	-	-	**1,600**	-	**1,600**
Net gain recognized directly in equity	-	-	49,058	1,600	-	-	**50,658**	-	**50,658**
Realized on disposal/redemption of financial instruments	-	-	(70,711)	-	-	-	**(70,711)**	-	**(70,711)**
Loss for the year	-	-	-	-	-	(3,968)	**(3,968)**	(1,199)	**(5,167)**
Total recognized income and expenses for the year	-	-	(21,653)	1,600	-	(3,968)	**(24,021)**	(1,199)	(25,220)
Shares issued under share option scheme	35	478	-	-	-	-	**513**	-	**513**
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	50,361	**50,361**
Employees' share options benefits	-	-	-	-	5,897	-	**5,897**	-	**5,897**
At 31 December 2004	**640,738**	**2,392,185**	**42,295**	**1,950**	**7,563**	**(289,026)**	**2,795,705**	**49,283**	**2,844,988**
Effect of initial adoption of HKAS 39	-	-	-	-	-	**(420)**	**(420)**	-	**(420)**
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 31 December 2005	**640,738**	**2,392,185**	**(27,602)**	**(35)**	**8,186**	**(277,212)**	**2,736,260**	**47,827**	**2,784,087**

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 GEM of the Stock Exchange.

The financial statements are presented in Hong Kong dollars, 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 applied a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combination", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" which had been early applied by the Group in the preparation of its financial statements for the year ended 31 December 2004. The application of the remaining HKFRSs has resulted in the following material changes in the presentation of financial statements for the year as well as the Group's accounting policies:

(a) Presentation of Financial Statements

The major changes under HKAS1 "Presentation of Financial Statements" are the presentation of minority interest and share of taxation of associates. Minority interest now forms part of the equity in the Group's consolidated balance sheet and is shown as an allocation of profit and loss in the Group's consolidated income statement and the share of taxation of associates previously included under taxation in the consolidated income statement is now netted off against the share of results of associates. The changes in presentation have been applied retrospectively.

(b) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were classified as property, plant and equipment and stated at valuation less accumulated depreciation. The adoption of HKAS 17 "Leases" has resulted in the reclassification of leasehold land from property, plant and equipment to prepaid lease under operating leases which are carried at cost and charged as operating leases expenses on a straight-line basis over the lease term and where there is impairment, the impairment is expensed in the income statement immediately. This change in accounting policy has been applied retrospectively but has no impact on the results of the Group for the year and the prior periods.

(c) Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.The principal effects resulting from the implementation of HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “trading securities” or “non-trading securities”. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealized gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealized gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities as “investments at fair value through profit and loss” or “available-for-sale investments” in accordance with HKAS 39. “Investments at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. For "non-trading securities” that are classified or designated as "investments at fair value through profit and loss", the cumulative unrealized gains or losses previously reported in equity at 1 January 2005 continue to be held in equity. On subsequent derecognition or impairment of the investment, the unrealized gain or loss remaining in equity will be transferred to profit or loss.

(ii) Derivatives

Up to 31 December 2004, the derivative financial instruments had not been recognized on the balance sheet. The net interest expenses or income arising from the derivative financial instruments were included in the income statement on an accrual basis. From 1 January 2005 onwards, all derivatives financial instruments that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognized in profit or loss for the period in which they arise.

(d) Share-based Payment

Starting from 1 January 2005, the Group has applied HKFRS 2 "Share-based payments" which requires the fair value of share options granted to employees after 7 November 2002 and had not vested on 1 January 2005 to be recognized at the date of grant as an expense in the income statement over the vesting period with the corresponding credit to an employee share-based compensation reserve under equity. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. This change in accounting policy has been applied retrospectively.

(e) Translation of foreign operations

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operations and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisition of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provision in HKAS 21, goodwill arising on acquisition prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the current year, the Group acquired a number of foreign operation, and goodwill arose on the acquisition of those foreign operation was translated at the closing rate at 31 December 2005, which has resulted in an increase of HK$11,119,000 in the balance of the exchange reserve at 31 December 2005.

The effects of changes in the accounting policies described above on the results for the current and prior years are as follows**:**

	HKAS 1	HKAS 17	HKAS 39	HKFRS 2	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Year 2005					
Increase in staff costs	-	-	-	(623)	**(623)**
Decrease in depreciation	-	401	-	-	**401**
Increase in fair value change in financial instruments	-	-	(28,165)	**-**	**(28,165)**
Increase in other operating expenses	-	(401)	-	**-**	**(401)**
Decrease in share of results of associates	(1,634)	-	-	-	**(1,634)**
Decrease in taxation	1,634	-	-	-	**1,634**
Decrease in profit for the year attributable to the equity holders of the Company	-	-	(28,165)	(623)	**(28,788)**
Decrease in basic earning per shares					**(0.45 cent)**
Year 2004					
Increase in staff costs	-	-	-	(5,897)	**(5,897)**
Decrease in depreciation	-	314	-	-	**314**
Increase in other operating expenses	-	(314)	-	-	**(314)**
Decrease in share of results of associates	(1,003)	-	-	-	**(1,003)**
Decrease in taxation	1,003	-	-	-	**1,003**
Increase in loss for the year attributable to the equity holders of the Company	-	-	-	(5,897)	**(5,897)**
Decrease in basic and diluted earning per shares					**(0.09 cent)**

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarized below:

Balance Sheet items	As at 31 December 2004 (originally stated)	Adjustment	As at 31 December 2004 (restated)	Adjustment	As at 1 January 2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Impact of HKAS 17					
Property, plant and equipment	376,253	(27,918)	348,335	-	348,335
Prepaid lease for land	-	27,918	27,918	-	27,918
Impact of HKAS 39					
Debt investment	-	-	-	240,553	240,553
Available-for-sale investments	-	-	-	293,809	293,809
Investments at fair value through profit and loss	-	-	-	1,327,826	1,327,826
Derivative financial instruments	-	-	-	(420)	(420)
Investments in securities	1,621,635	-	1,621,635	(1,621,635)	-
Other investments	240,553	-	240,553	(240,553)	-
Total effects on assets and liabilities	2,238,441	-	2,238,441	(420)	2,238,021
Impact of HKFRS 2 and HKAS 39					
Accumulated losses	(281,463)	(7,563)	(289,026)	(420)	(289,446)
Employee share-based compensation reserve	-	7,563	7,563	-	7,563
Total effect on equity	(281,463)	-	(281,463)	(420)	(281,883)

The financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are summarized below:

	As originally stated	Adjustment	As restated
	HK$'000	HK$'000	HK$'000
Impact of HKFRS 2			
Accumulated losses	(283,392)	(1,666)	(285,058)
Employee share-based compensation reserve	-	1,666	1,666
Total effect on equity	(283,392)	-	(283,392)

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:

	2005	2004
	HK$'000	HK$'000
Environment	**425,317**	155,032
Health	**117,167**	5,478
Investment income	**151,895**	169,117
	694,379	329,627

4. OTHER INCOME

	2005	2004
	HK$'000	HK$'000
Included in other income are:		
Interest income from bank deposits	**14,200**	3,455
Amortization of discount of other investment	**-**	11,676
Discount on acquisition of subsidiary	**-**	3,288
Gain on disposal/redemption of investment in securities	**-**	23,559
Gain on disposal/redemption of available-for-sale investments	**33,794**	-
Gain on disposal/redemption of investments at fair value through profit and loss	**29,349**	-

5. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$172,579,000 (2004: HK$135,386,000) of which HK$25,092,000 (2004: HK$23,853,000) relating to development activities was capitalized and HK$4,776,000 (2004: Nil) relating to direct labour costs was allocated to cost of sales.

Staff costs also include operating lease rentals of HK$923,000 (2004:HK$793,000) in respect of accommodation provided to staff.

6. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest on:		
Bank loans	**17,226**	**3,904**
Other loan	**692**	**492**
Loan from a minority shareholder	**1,470**	**-**
Finance leases	**106**	**42**
	19,494	**4,438**

7. TAXATION

	2005	2004
	HK$'000	HK$'000
Current tax		
Hong Kong	**-**	**2,174**
Other jurisdictions	**6,501**	**228**
Deferred tax		
Hong Kong	**(843)**	**146**
Other jurisdictions	**(290)**	**-**
	5,368	**2,548**

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.

8. EARNINGS/(LOSS) PER SHARE

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

	2005	2004
	HK$'000	HK$'000
Profit/(loss) for the year		
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	**12,234**	(3,968)
Number of shares		
Number of ordinary shares (2004: weighted average) used in the calculation of basic earnings/(loss) per share	**6,407,381,600**	6,407,316,727
Effect of dilutive potential ordinary shares	**-**	546,091
Number of ordinary shares (2004: weighted average) used in the calculation of diluted earnings/(loss) per share	**6,407,381,600**	6,407,862,818

No diluted earnings per share is presented for the year ended 31 December 2005 because the exercise prices for the Company's outstanding share options were higher than the average market price of the shares of the Company and therefore the conversion of the share options would not have any dilutive effect on the earnings per share.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004:Nil).

10. SEGMENT INFORMATION

Analysis of the Group's business segment is as follows:

(a) Segment results

	Environment		Health		Investment		Unallocated		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**425,317**	155,032	**117,167**	5,478	**151,895**	169,117	-	-	**694,379**	329,627
Segment results	**(21,482)**	(44,695)	**(5,316)**	(29,989)	**187,060**	204,423	-	-	**160,262**	129,739
Other income									**4,277**	7,265
Business development expenditure	-	-	-	-	-	-	**(28,889)**	(26,007)	**(28,889)**	(26,007)
Research and development expenditure	-	-	-	-	-	-	**(26,843)**	(39,308)	**(26,843)**	(39,308)
Corporate expenses									**(76,504)**	(76,328)
Finance costs	**(10,257)**	(4,438)	**(9,237)**	-	**-**	-	**-**	-	**(19,494)**	(4,438)
Gain on disposal of an associate									**-**	4,179
Share of results of associates	**3,337**	2,279	-	-	**-**	-	-	-	**3,337**	2,279
Profit before taxation									**16,146**	(2,619)
Taxation									**(5,368)**	(2,548)
Profit/(loss) for the year									**10,778**	(5,167)

(b) Segment assets and liabilities

	Environment		Health		Investment		Unallocated		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**474,427**	314,987	**353,461**	153,778	**1,819,390**	1,892,260	**-**	-	**2,647,278**	2,361,025
Goodwill	**143,322**	34,215	**297,781**	-	**-**	-	**-**	-	**441,103**	34,215
Interests in associates	**30,922**	27,585	**-**	-	**-**	-	**-**	-	**30,922**	27,585
Cash									**372,433**	442,850
Other assets									**189,147**	197,132
Total assets									**3,680,883**	3,062,807
Segment liabilities	**(300,703)**	(83,718)	**(396,435)**	(6,078)	**(96,115)**	-	**-**	-	**(793,253)**	(89,796)
Other liabilities									**(103,543)**	(128,023)
Total liabilities									**(896,796)**	(217,819)

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

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Code on CG Practices") throughout the year ended 31 December 2005.

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, 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 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee of the Company 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. 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. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met four times in 2005.

The Group's annual results for the year ended 31 December 2005 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 11 May 2006 and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 4 May 2006 to Thursday, 11 May 2006, both days inclusive, during which period no transfer of shares will be effected. All share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 3 May 2006.

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 and Dr. Chu Kee Hung; and the Non-executive Directors are 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.