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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)

## **HALF-YEAR RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2007**

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

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*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

| HK\$ Million                        | The First Half Results |             |            |
|-------------------------------------|------------------------|-------------|------------|
|                                     | 2007                   | 2006        | Difference |
| Sales revenue                       | 958.1                  | 868.4       | +10%       |
| Investment proceeds                 | <u>139.5</u>           | <u>53.8</u> | +159%      |
| Total revenue                       | 1,097.6                | 922.2       | +19%       |
| Profit attributable to shareholders | 66.2                   | 14.8        | +347%      |

Maintaining the strong growth momentum recorded in the past few quarters, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Group") has achieved a pleasing performance during the first half of 2007.

For the six months ended 30 June 2007, profit attributable to shareholders was HK\$66.2 million, an increase of 3½ times over the same period last year.

Total revenue reached HK\$1,097.6 million, a 19% increase over the first half of last year.

The Board of Directors has not declared any interim dividend for the period under review (2006: Nil).

### Health Sales About HK\$750 Million

Our rapidly growing health-related business achieved sales of HK\$747 million during the interim period. This figure includes the full first half contribution from Vitaquest International Holdings LLC ("Vitaquest"), the largest custom contract nutraceutical manufacturer in the United States, which was acquired in early 2006.

Steady progress was made across our key markets of Hong Kong, the Netherlands, Canada and the United States. In particular, market acceptance of the *AG Natural Health* brand of nutraceutical products has been strong.

### Environmental Sales Over HK\$200 Million

During the first half, sales for the Group's environmental-related business were approximately HK\$211 million. On the whole, satisfactory development was recorded in our main markets throughout Asia, particularly in Malaysia and South Korea, as well as in Australia.

## **Major Achievements in R&D**

We have continued to devote considerable resources to our R&D initiatives during the period under review and good progress has been recorded.

During the first half of 2007, 14 patents were granted for our pharmaceutical discoveries targeted at cancer treatment, namely:

- 1) kidney cancer;
- 2) prostate cancer;
- 3) ovarian cancer;
- 4) breast cancer;
- 5) uterine cancer;
- 6) leukemia;
- 7) nasopharyngeal cancer;
- 8) esophageal cancer;
- 9) stomach cancer;
- 10) pancreatic cancer;
- 11) liver cancer;
- 12) brain cancer;
- 13) bladder cancer; and
- 14) lymphoma.

Including the above, we have received 42 patents to date from the US Patent and Trademark Office, of which more than half are for the Group's pharmaceutical inventions. Our patent portfolio reflects a growing wealth of intellectual property, particularly in the realm of cancer treatment.

Good progress has been achieved in pharmaceutical research, particularly in skin cancer treatment where our US FDA Phase II trials are progressing very well.

We are also continuing to extend our range of nutraceutical offerings by studying new formulae and developing new product applications for our nutraceutical lines, with the aim of launching them in the market as soon as possible.

## **Sound Underlying Financials**

With cash and net financial assets on hand amounting to nearly HK\$1.5 billion and bank borrowings of only around HK\$382 million, as at 30 June 2007, the Group remains in an excellent position to fund its growth strategies for the future and drive continued development.

### ***Subsequent Event***

Earlier this month, CK Life Sciences signed a scheme implementation agreement to acquire Lipa Pharmaceuticals Limited (“Lipa”), the leading Australian contract manufacturer of complementary healthcare products, at a consideration of about HK\$607 million. Subject to the terms of the scheme implementation agreement, the Lipa transaction is expected to be completed in the second half of the year. This proposed acquisition is poised to significantly boost our nutraceutical operations, as well as substantially expedite CK Life Sciences’ business expansion plans into the Australian nutraceutical market. This move follows the recent acquisition trail in the nutraceutical sector which saw the Santé Naturelle A.G. Ltée acquisition in 2005 and the Vitaquest one in 2006.

### **Prospects**

The first half of 2007 has reaped good results for CK Life Sciences. The Group’s sales have reached a critical mass and profit continues to grow. In the near term, we expect our strong sales to maintain its upward trend. This growth will be further boosted through our aggressive acquisition strategy. We are now looking to acquire new nutraceutical, agricultural and biotech companies to further enrich our sales and profit base.

In the medium to long-term, our R&D efforts are expected to mature and bear fruit. We have already achieved significant progress in expanding our patent portfolio, as well as expediting our research studies and clinical trials. We look forward to making more advances in this area and taking our solutions, particularly in the treatment of cancer, through the necessary regulatory procedures.

In sum, CK Life Sciences has achieved a solid track record as a young company. In the five years since listing, CK Life Sciences has evolved into a profitable biotech company. We aim to continue to accelerate the pace of expansion.

### **Acknowledgements**

I would like to take this opportunity to thank our shareholders, Board of Directors, staff and business partners for their resolute support.

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 13 August 2007

## **FINANCIAL REVIEW**

### **Financial resources and liquidity**

As at 30 June 2007, the Group's total assets amounted to HK\$5,975,317,000 of which marketable securities were HK\$1,189,029,000 and total bank balances and cash were HK\$357,597,000. The marketable securities generated a total net investment gain of HK\$76,587,000 while the total bank balances and cash generated a total interest income of HK\$8,286,000 for the first six months of 2007 ("the Period").

At the end of the period under review, the total liabilities were HK\$930,469,000, comprising total bank loans and overdrafts of HK\$381,592,000. These bank loans were raised for financing the acquisition of overseas subsidiaries as well as providing general working capital for some of the overseas subsidiaries. The maturity profiles of these loans vary from 1 to 2 years and incurred a total finance cost of HK\$12,577,000 for the Period. As at 30 June 2007, the Group's gearing ratio was approximately 0.48%, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$357,597,000) over total equity. The net asset value of the Group was HK\$0.52 per share.

### **Treasury policies**

The Group continues to adopt a prudent treasury policy and manage most of its treasury functions at the head office regarding its funding needs, foreign exchange and interest rate exposures.

Most of the Group's financial instruments are denominated in US dollars and thus exchange rate risk relating to such investments is low. For overseas subsidiaries/investments whose assets are non-US dollars, the Group has established a natural hedge with an appropriate level of borrowings in the relevant local currencies in order to mitigate the currency risk.

The Group's borrowings are principally on a floating rate basis. To minimize its interest rate risk under the current uptrend interest rate environment, the Group has been regularly and closely monitoring its overall net debt position, and reviewing its funding costs and loan maturity profile so as to facilitate refinancing at an appropriate time with a lower cost.

### **Charge on assets**

As at 30 June 2007, the Group's interests in a subsidiary company with the carrying value of HK\$184,486,000 were pledged as part of the security for a bank loan totaling HK\$225,618,000 granted to the subsidiary company.

### **Material acquisitions/disposals and significant investments**

As detailed in the circular of the Company dated 22 June 2007, a disposal of the Group's equity interests in Nanjing Green Union Eco-Technology Limited ("NJLP"), Jiangsu Technology Union Eco-fertilizer Limited ("Jiangsu Technology") and Jiangsu Prosperous Union Crop Sciences Limited ("JSJB") was completed in the first half of the year. The total consideration of the disposal is RMB53,775,171.8 (approximately HK\$54,850,675). After the disposal, the Group ceased to have any interests in NJLP and JSJB, and the Group's interests in Jiangsu Technology was reduced to 25%.

Other than aforementioned, there were no other material acquisitions/disposals 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\$30,494,000 for the Period.

### **Capital commitments and future plans for material investments or capital assets**

As of 30 June 2007, the total capital commitments by the Group amounted to HK\$2,740,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory instrument, computer software, plant and equipment.

### **Contingent liabilities**

As at 30 June 2007, the Group had no material contingent liabilities.

### **Information on employees**

The Group had a total number of 1,153 employees at the end of June 2007, a decrease of 207 headcount as compared to the same period of 2006. The total staff costs, including directors' emoluments, amounted to approximately HK\$242,504,000 for the Period. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

|                  |   | For the<br>three months ended<br>30 June |                    | For the<br>Six months ended<br>30 June |                    |                  |
|------------------|---|--|--------------------|--|--------------------|------------------|
|                  |   | 2007                                     | 2006               | 2007                                   | 2006               |                  |
|                  |   | <u>(unaudited)</u>                       | <u>(unaudited)</u> | <u>(unaudited)</u>                     | <u>(unaudited)</u> |                  |
| Notes            |   | <b>HK\$'000</b>                          | HK\$'000           | <b>HK\$'000</b>                        | HK\$'000           |                  |
|                  | Turnover  | 2  | 593,817            | 494,636                                | 1,097,609          | 922,150          |
|                  | Cost of sales   |  | <u>(392,178)</u>   | <u>(290,438)</u>                       | <u>(723,509)</u>   | <u>(554,311)</u> |
|                  |   |  | 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<br>fair value through profit and<br>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   |  | <u>35,568</u>      | <u>23,078</u>                          | <u>65,470</u>      | <u>24,798</u>    |
| Attributable to: |   |  |                    |  |                    |                  |
|                  | Equity holders of the Company   |  | 36,145             | 12,722                                 | 66,248             | 14,785           |
|                  | Minority interests  |  | (577)              | 10,356                                 | (778)              | 10,013           |
|                  |   |  | <u>35,568</u>      | <u>23,078</u>                          | <u>65,470</u>      | <u>24,798</u>    |
|                  | Earnings per share  | 6  |                    |  |                    |                  |
|                  | - basic   |  | <u>0.38 cent</u>   | <u>0.15 cent</u>                       | <u>0.69 cent</u>   | <u>0.19 cent</u> |
|                  | - diluted   |  | <u>0.38 cent</u>   | <u>0.15 cent</u>                       | <u>0.69 cent</u>   | <u>0.19 cent</u> |

## CONDENSED CONSOLIDATED BALANCE SHEET

|   |              | As at 30 June<br>2007<br>(unaudited) | As at 31 December<br>2006<br>(audited) |
|---|--------------|--------------------------------------|--|
|   | <i>Notes</i> | <b>HK\$'000</b>                      | <b>HK\$'000</b>                        |
| <b>Non-current assets</b>                                   |              |                                      |  |
| 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                              |
| <b>Current assets</b>                                       |              |                                      |  |
| 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                              |
| <b>Current liabilities</b>                                  |              |                                      |  |
| 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)                              |
| <b>Net current assets</b>                                   |              | <b>623,309</b>                       | <b>795,023</b>                         |
| <b>Total assets less current liabilities</b>                |              | <b>5,296,956</b>                     | <b>5,411,459</b>                       |
| <b>Non-current liabilities</b>                              |              |                                      |  |
| 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)                              |
| <b>Total net assets</b>                                     |              | <b>5,044,848</b>                     | <b>4,962,024</b>                       |
| <b>Capital and reserves</b>                                 |              |                                      |  |
| Share capital   | 12           | 961,107                              | 961,107                                |
| Share premium and reserves                                  |              | 4,076,610                            | 3,985,346                              |
| <b>Equity attributable to equity holders of the Company</b> |              | <b>5,037,717</b>                     | <b>4,946,453</b>                       |
| Minority interests  |              | 7,131                                | 15,571                                 |
| <b>Total equity</b>   |              | <b>5,044,848</b>                     | <b>4,962,024</b>                       |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>(unaudited) | Share premium<br>(unaudited) | Investment revaluation reserve<br>(unaudited) | Exchange reserve<br>(unaudited) | Employee share-based compensation reserve<br>(unaudited) | Accumulated losses<br>(unaudited) | Equity attributable to equity holders of the Company<br>(unaudited) | Minority interest<br>(unaudited) | Total equity<br>(unaudited) |
|---|------------------------------|------------------------------|---|---------------------------------|--|-----------------------------------|---|----------------------------------|-----------------------------|
|   | HK\$'000                     | HK\$'000                     | HK\$'000                                      | HK\$'000                        | HK\$'000   | HK\$'000                          | HK\$'000  | HK\$'000                         | HK\$'000                    |
| <b>2006</b>   |                              |                              |   |                                 |  |                                   |   |                                  |                             |
| <b>At 1 January 2006</b>  | 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                      |
| <b>At 30 June 2006</b>  | <b>961,107</b>               | <b>4,147,519</b>             | <b>(34,366)</b>                               | <b>14,263</b>                   | <b>8,446</b>   | <b>(262,427)</b>                  | <b>4,834,542</b>  | <b>56,324</b>                    | <b>4,890,866</b>            |
| <b>2007</b>   |                              |                              |   |                                 |  |                                   |   |                                  |                             |
| <b>At 1 January 2007</b>  | 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                      |
| <b>At 30 June 2007</b>  | <b>961,107</b>               | <b>4,147,543</b>             | <b>(24,593)</b>                               | <b>53,890</b>                   | <b>7,571</b>   | <b>(107,801)</b>                  | <b>5,037,717</b>  | <b>7,131</b>                     | <b>5,044,848</b>            |

## 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         |
|                   | <u>1,097,609</u>         | <u>922,150</u> |

## 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        |
|                                      | <u>115,343</u>           | <u>96,646</u> |
| 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               | <u>55,533</u>            | <u>18,563</u> |
| Taxation                             | 9,937                    | 6,235         |
| Profit for the period                | <u>65,470</u>            | <u>24,798</u> |

### 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            |
|                     | <u>HK\$'000</u>          | <u>HK\$'000</u> |
| Current tax:        |                          |                 |
| Hong Kong           | 3,312                    | -               |
| Other jurisdictions | 1,572                    | 687             |
| Deferred tax:       |                          |                 |
| Hong Kong           | -                        | -               |
| Other jurisdictions | 215                      | -               |
|                     | <u>(15,036)</u>          | <u>(6,922)</u>  |
|                     | <u>(9,937)</u>           | <u>(6,235)</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.

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

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

|                          | <b>Freehold land<br/>and building</b> | <b>Construction in<br/>progress</b> | <b>Laboratory<br/>instruments,<br/>plant and<br/>equipment</b> | <b>Furniture,<br/>fixtures and<br/>other assets</b> | <b>Leasehold<br/>improvement</b> | <b>Total</b>   |
|--------------------------|---------------------------------------|-------------------------------------|--|---|----------------------------------|----------------|
|                          | 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)          |
| <b>At 30 June 2007</b>   | <b>103,640</b>                        | <b>1,720</b>                        | <b>321,620</b>   | <b>85,443</b>                                       | <b>48,899</b>                    | <b>561,322</b> |
| 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)           |
| <b>At 30 June 2007</b>   | <b>11,118</b>                         | <b>-</b>                            | <b>134,927</b>   | <b>55,322</b>                                       | <b>9,385</b>                     | <b>210,752</b> |
| Net book value           |                                       |                                     |  |   |                                  |                |
| <b>At 30 June 2007</b>   | <b>92,522</b>                         | <b>1,720</b>                        | <b>186,693</b>   | <b>30,121</b>                                       | <b>39,514</b>                    | <b>350,570</b> |
| 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         | <b>265,992</b>    | <b>15,510</b> | <b>2,518,277</b> | <b>118,361</b> | <b>211,637</b>        | <b>37,463</b>        | <b>9,685</b>            | <b>3,176,925</b> |
| 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         | <b>13,487</b>     | <b>1,917</b>  | -                | -              | <b>27,138</b>         | <b>4,146</b>         | <b>2,516</b>            | <b>49,204</b>    |
| Net book value          |                   |               |                  |                |                       |                      |                         |                  |
| At 30 June 2007         | <b>252,505</b>    | <b>13,593</b> | <b>2,518,277</b> | <b>118,361</b> | <b>184,499</b>        | <b>33,317</b>        | <b>7,169</b>            | <b>3,127,721</b> |
| 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:

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

## 11. Bank loans

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

## 12. Share capital

|   | <b>Number of shares<br/>of HK\$0.10 each<br/>'000</b> | <b>Nominal value<br/>HK\$'000</b> |
|---|---|-----------------------------------|
| <b>Authorized</b>                       |   |                                   |
| At 31 December 2006 and<br>30 June 2007 | 15,000,000  | 1,500,000                         |
| <b>Issued and fully paid</b>            |   |                                   |
| At 31 December 2006 and<br>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).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, 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 Securities and Futures Ordinance (“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 on Securities Transactions by Directors adopted by the Company (“Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

### (1) Long positions in the shares of the Company

| Name of Director        | Capacity                                 | Number of Ordinary Shares |                  |                     |                      | Total         | Approximate % of Shareholding |
|-------------------------|--|---------------------------|------------------|---------------------|----------------------|---------------|-------------------------------|
|                         |  | Personal Interests        | Family Interests | Corporate Interests | Other Interests      |               |                               |
| 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%                        |

Note:

Such 4,258,634,570 shares are held by a subsidiary of Cheung Kong (Holdings) Limited (“Cheung Kong Holdings”). Li Ka-Shing Unity Trustee Company Limited (“TUT”) as trustee of The Li Ka-Shing Unity Trust (the “LKS Unity Trust”) and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. 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 Cheung Kong Holdings and thus is taken to be interested in those 4,258,634,570 shares held by the subsidiary of Cheung Kong Holdings under the SFO.

## (2) Long positions in the underlying shares of the Company

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 of the Company, details of which as at 30 June 2007 were as follows:

| Name of Director           | Date of grant | Number of share options          |                           |                             |                                    | Outstanding as at 30 June 2007 | Option period         | Subscription price per share HK\$ |
|----------------------------|---------------|----------------------------------|---------------------------|-----------------------------|------------------------------------|--------------------------------|-----------------------|-----------------------------------|
|                            |               | Outstanding as at 1 January 2007 | Granted during the period | Exercised during the period | Cancelled/lapsed during the period |                                |                       |                                   |
| Yu Ying Choi,<br>Alan Abel | 30/9/2002     | 348,440                          | -                         | -                           | -                                  | 348,440                        | 30/9/2003 - 29/9/2012 | 1.422                             |
|                            | 27/1/2003     | 775,560                          | -                         | -                           | -                                  | 775,560                        | 27/1/2004 - 26/1/2013 | 1.286                             |
|                            | 19/1/2004     | 775,560                          | -                         | -                           | -                                  | 775,560                        | 19/1/2005 - 18/1/2014 | 1.568                             |
| Chu Kee Hung               | 30/9/2002     | 348,440                          | -                         | -                           | -                                  | 348,440                        | 30/9/2003 - 29/9/2012 | 1.422                             |
|                            | 27/1/2003     | 775,560                          | -                         | -                           | -                                  | 775,560                        | 27/1/2004 - 26/1/2013 | 1.286                             |
|                            | 19/1/2004     | 775,560                          | -                         | -                           | -                                  | 775,560                        | 19/1/2005 - 18/1/2014 | 1.568                             |

Save as disclosed above, during the six months ended 30 June 2007, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2007, 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.

## 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 of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at 30 June 2007, options to subscribe for an aggregate of 15,109,593 shares of the Company 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 30 June 2007 | Option period                     | Subscription price per share HK\$ |
|---------------|----------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------------|-----------------------------------|-----------------------------------|
|               | Outstanding as at 1 January 2007 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                                |                                   |                                   |
| 30/9/2002     | 2,869,010                        | -                         | -                           | (200,072)                | -                           | 2,668,938                      | 30/9/2003 - 29/9/2012<br>(Note 1) | 1.422                             |
| 27/1/2003     | 6,294,623                        | -                         | -                           | (494,560)                | -                           | 5,800,063                      | 27/1/2004 - 26/1/2013<br>(Note 2) | 1.286                             |
| 19/1/2004     | 7,279,024                        | -                         | -                           | (638,432)                | -                           | 6,640,592                      | 19/1/2005 - 18/1/2014<br>(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.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2007, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company 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 of the Company

| 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<br>(Note i)   | 44.30%                        |
| Cheung Kong (Holdings) Limited  | Interest of controlled corporations                                   | 4,258,634,570<br>(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<br>(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<br>(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<br>(Note iii) | 44.30%                        |
| Li Ka-shing   | Founder of discretionary trusts & interest of controlled corporations | 4,258,634,570<br>(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<br>(Note v)   | 29.50%                        |

### (2) Long position of other person in the shares of the Company

| 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 in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SFO.
- ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the 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 Cheung Kong Holdings. 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 Cheung Kong Holdings 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 Cheung Kong Holdings is deemed to be interested as mentioned above under the SFO.
- v. Trueway International Limited ("Trueway") and Triluck Assets Limited ("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.

Save as disclosed above, as at 30 June 2007, 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 of the Company 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.

## COMPETING INTERESTS

During the six months ended 30 June 2007, the interests of Directors, management shareholders of the Company or their respective associates as defined in the GEM Listing Rules (the “Associates”) in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (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)                        |
| 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)                  |

| <b>Name of Management Shareholder</b> | <b>Name of Company</b>         | <b>Nature of Interest</b> | <b>Competing Business (Note 2)</b> |
|---------------------------------------|--------------------------------|---------------------------|------------------------------------|
| Li Ka-shing                           | Cheung Kong (Holdings) Limited | Chairman (Note 1)         | (ii)                               |
|                                       | Hutchison Whampoa Limited      | Chairman (Note 1)         | (i) & (ii)                         |

Notes:

1. Apart from holding the directorships, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam and/or their respective family members have direct and/or indirect interests in the shares of 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 of the Company 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.

## **CORPORATE GOVERNANCE**

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, 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 (“Code on CG Practices”) as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2007.

### **(1) Board Composition and Board Practices**

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company’s Articles of Association and the Code on CG Practices.

The positions of the Chairman of the Board (“Chairman”) and the Chief Executive Officer are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman has meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary and the Compliance Officer are also directly responsible for the Group’s compliance with the continuing obligations of the GEM Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

### **(2) Model Code on Securities Transactions by Directors**

The Company has adopted the model code on securities transactions by directors of listed issuers set out in Chapter 5 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions, effective 31 March 2004. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2007.

### **(3) Internal Controls**

The Company has an internal audit function in place to provide an independent assessment of the Group's internal control system and review of its effectiveness in accordance with the Code on CG Practices. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, functional and information technology areas within the audited business units and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of these internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control system operating in the Group for the six months ended 30 June 2007.

### **(4) Audit Committee**

The Company established the 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 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. 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 Group's half-year report for the six months ended 30 June 2007 has been reviewed by the Audit Committee.

### **(5) Remuneration Committee**

According to the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") on 1 January 2005 with a majority of the members being Independent Non-executive Directors. The existing Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

## **(6) Investor Relations and Communication with Shareholders**

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of financial reports, circulars, notices of general meetings and proxy forms required under the GEM Listing Rules, and shareholders can select to receive such documents by electronic means; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group is available on the website of the Company; (iv) the Company's website offers a main communication channel between the Company and its shareholders and investors; (v) regular press conferences and briefing meetings with analysts from the investment sectors are set up from time to time on updated performance information of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration matters; and (vii) Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

*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 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](http://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](http://www.ck-lifesciences.com).*