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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **CK Life Sciences Int'l., (Holdings) Inc.**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

長 江 生 命 科 技 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

MAJOR TRANSACTION

in respect of
the acquisition of entire issued share capital of Paton Fertilizers Pty Ltd

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

5 July 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

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

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

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

CONTENTS

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

"Acquisition"	the acquisition of the entire issued share capital of Paton
"Agreement"	the sale and purchase of shares deed dated 27 May 2004 entered into between Kate as purchaser and Tholepin Pty Ltd as vendor in relation to the sale and purchase of the entire issued share capital of Paton
"associates"	shall have the same meaning ascribed to it by the GEM Listing Rules
"Board"	the board of Directors
"CKH"	Cheung Kong (Holdings) Limited
"Company" or "CK Life Sciences"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
"Completion"	5 business days after all the conditions in the Agreement are fulfilled or waived by Kate
"Directors"	the directors of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Gold Rainbow"	Gold Rainbow Int'l Limited, an investment holding company incorporated in the British Virgin Islands
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Kate"	Kate Investment Holdings (Australia) Pty Limited, a wholly-owned subsidiary of the Company incorporated in Australia
"Latest Practicable Date"	30 June 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Model Code"	Model Code on Securities Transactions by Directors adopted by the Company

"Paton"	Paton Fertilizers Pty Ltd, a company incorporated in Australia owned by Tholepin Pty Ltd
"Paton Group" or "Target Group"	Paton and its subsidiaries
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)" or "Member(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tangiers"	Tangiers Enterprises Limited, a company incorporated in the British Virgin Islands
"Triluck"	Triluck Assets Limited, a company incorporated in the British Virgin Islands
"Trueway"	Trueway International Limited, a company incorporated in the British Virgin Islands
"A$" or "Australian dollars"	the lawful currency of Australia
"HK$"	the lawful currency of Hong Kong
"US$" or "U.S. dollars"	the lawful currency of the United States of America

For the purpose of illustration only, A$ to HK$ is translated at a rate of A$1.00 = HK$5.53 throughout this circular.

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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

Board of Directors

Chairman
LI Tzar Kuoi, Victor

Executive Directors
KAM Hing Lam *President and Chief Executive Officer*
IP Tak Chuen, Edmond *Senior Vice President and Chief Investment Officer*
YU Ying Choi, Alan Abel *Vice President and Chief Operating Officer*
PANG Shiu Fun *Vice President and Chief Technology Officer*
CHU Kee Hung *Vice President and Chief Production Officer*
LAM Hing Chau, Leon *Vice President and Chief Financial Officer*

Non-executive Directors
KWAN Chiu Yin, Robert
Peter Peace TULLOCH

Independent Non-executive Directors
WONG Yue-chim, Richard
KWOK Eva Lee

Company Secretary
Eirene YEUNG

Registered Office
P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Head Office
2 Dai Fu Street
Tai Po Industrial Estate
Tai Po
Hong Kong

Principal Place of Business
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

5 July 2004

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
in respect of
the acquisition of entire issued share capital of Paton Fertilizers Pty Ltd

INTRODUCTION

The Directors refer to the announcement of the Company dated 27 May 2004 in relation to the sale and purchase of shares deed entered into between Kate as purchaser and Tholepin Pty Ltd as vendor to acquire the entire issued share capital of Paton, at a total consideration of A$4 million (approximately HK$22,120,000). The purpose of this circular is to give you further information in relation to the Acquisition.

THE AGREEMENT

Date: 27 May 2004

Parties: Kate, as the purchaser

Tholepin Pty Ltd, as the vendor, with its principal activities in the manufacturing and sale of fertilizers and plastic products, as well as property investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tholepin Pty Ltd and its ultimate shareholders are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules).

ASSETS TO BE ACQUIRED

The entire issued share capital of Paton.

CONSIDERATION

The total consideration is A$4 million (approximately HK$22,120,000). A$400,000 (approximately HK$2,212,000) has been paid in cash to the vendor's solicitors as stakeholder upon signing of the Agreement and the balance of the consideration will be payable in cash upon Completion. As at the Latest Practicable Date, Completion has not yet taken place.

INFORMATION ON PATON

Paton has a long established history in the fertilizer business. It provides its customers with one-stop solutions in agronomic consultancy, custom blending, logistics support and product application. The principal activities of Paton are blending, processing, packing and distribution of fertilizers. With a leading edge fertilizer blending technology, Paton focuses on the home gardening, turf and horticulture segments of the market.

Paton is a limited liability company incorporated under the laws of Australia in New South Wales. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Paton and its ultimate shareholders are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules).

The consideration was arrived at after arm's length negotiations between the parties, in particular, with reference to the distribution network, customer base and turnover of Paton.

The audited consolidated net book value of the assets of the Paton Group was about A$1.7 million (approximately HK$9,401,000) as at 31 March 2004. The audited consolidated net profits before taxation and extraordinary items for the two years ended 30 June 2002 and 2003 which are immediately preceding the Acquisition were around A$79,000 (approximately HK$437,000) and A$76,000 (approximately HK$420,000) respectively. The audited consolidated net profits after taxation and extraordinary items for the said two years were also the same as before taxation and extraordinary items. The audited consolidated net profits both before and after taxation and extraordinary items for the nine months ended 31 March 2004 were about A$334,000 (approximately HK$1,847,000).

MANAGEMENT DISCUSSION ON PATON

The Paton Group has been financing its operations through loan from fellow subsidiaries and bank borrowings. It had cash and bank balances of around A$80,000 (approximately HK$442,000), A$911,000 (approximately HK$5,038,000), A$656,000 (approximately HK$3,628,000) and A$557,000 (approximately HK$3,080,000) as at 30 June 2001, 2002 and 2003, and 31 March 2004 respectively.

Paton's sales are predominantly in Australian dollars, while part of its materials purchases are from offshore suppliers in U.S. dollars. Paton has always been able to pass on any exchange rate fluctuations to customers and therefore did not have any significant hedging policies in place.

REASONS FOR ENTERING INTO THE ACQUISITION

The reasons for the Acquisition are:

1) Paton has a dedicated sales force who can be mobilized to sell the Group's NutriSmart™ products in a short period of time;

2) Paton has agronomic and blending technologies which will facilitate acceptance of the Group's NutriSmart™ product in the market;

3) Paton has blending, packing and distribution facilities which can be adapted and expanded to manufacture the Group's NutriSmart™ product range, reducing logistics costs and improving customer service;

4) Paton's range of fertilizers is a welcome addition to the Group's portfolio, and will help the Group secure market share in the fertilizer industry; and

5) Paton has access to a distribution network and customer base which will be a strong foundation on which to build penetration for the Group's NutriSmart™ range of products.

The Directors believe that, with the Acquisition, the Company would further expand into the horticultural, home gardening and turf markets and the Acquisition will help widen the Group's product range and accelerate its business expansion in the Australian fertilizer market.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

(1) Net tangible assets

As at 31 December 2003, the audited net tangible assets of the Group were about HK$2,711 million. Please refer to the consolidated balance sheet under the section headed "Summary of Audited Financial Statements" in Appendix I – "Financial Information of the Group". After the Acquisition, the unaudited proforma statement of net tangible assets of the enlarged group will be about HK$2,698 million as per Appendix II – "Financial Information of the Enlarged Group". In other words, there will be a slight decrease of approximately 0.48% in the net tangible assets of the Group after the Acquisition, which is mainly due to (i) the goodwill arising from the Acquisition of A$2.27 million (approximately HK$12,542,000) and (ii) the exclusion of the intellectual property rights which is an intangible asset owned by Paton of A$12,000 (approximately HK$66,000).

(2) Earnings

The Group recorded an audited consolidated net profit attributable to Shareholders of approximately HK$928,000 for the year ended 31 December 2003. In view of the track record, earnings ability and customer base of Paton as well as the synergies to be generated with Paton as a member of the Group, the Acquisition will have a positive impact on the earnings of the Group in the future.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group recorded profits before tax of approximately HK$411,000 for the quarter ended 31 March 2004, a 119% increase compared to the same period last year. Turnover grew by 231% to HK$17,527,000 in the same quarter of 2004, as sales of fertilizers grew by 198% compared to the same period last year. "VitaGain™ for Daily Immunity", a new nutraceutical product, was launched in the first quarter of 2004 with more products for specific ailments in the pipeline to be launched during the remainder of the year. A fast pace of growth is expected to continue as the Group further penetrates its target markets and as new products gain market acceptance.

The acquisitions of a fertilizer distribution network in China and Fertico Pty Limited in Australia further provide a solid manufacturing, distribution and customer base for the Group to jump-start the development of its fertilizer business in China and Australia respectively. The investment in AquaTower Pty Ltd in Australia accelerates the Group's development in bioremediation business and enhances its operations. The Group will continue to look for strategic acquisition targets that will complement its research and development and market expansion plans to drive growth its business in the future.

GENERAL

The Directors consider that the Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Agreement are fair and reasonable and in the best interests of the Group so far as the interests of the Shareholders are concerned.

The business operations of the Group primarily include research and development, commercialization, marketing and sale of biotechnology products. The Group is engaged in identifying needs and developing revolutionary biotechnology solutions for the improvement of human health and environmental sustainability. The Group also focuses on development of patent-protected products which provide new and improved solutions in sustainable land and water use, disease prevention and treatment, nutritional balance and skin care. Its work primarily involves the application of scientifically advanced methods and processes by which selected microbes, particularly yeasts with undiscovered potential are activated and acclimatized to perform specific functions in either the human body or the natural environment.

As the Group is still at an early stage of business development notwithstanding the fact that it has already attained quite a substantial size, operating expenses, including but not limited to research and development, remain high relative to revenue which is typical for start-up operations. As described in the prospectus of the Company dated 4 July 2002, the Group has 108 potential products applications, although to date less than 10 have been launched. The turnover of the Group is expected to increase substantially when more products are launched. One of the strategies of the Group to achieve its business objectives is to increase the Group's investment in research and development in order to enhance the capabilities of its existing products and accelerate product development efforts in order to capture growth opportunities in the Group's target markets. Therefore the major activities of the Group in the past years were research and development which are reflected in the Group's operating expenses for operating activities and which are more accurate than solely relying on the turnover or profit of the Group for the purpose of serving as a true indicator of the scale of the Group's operations. Therefore, pursuant to Rule 19.20 of the GEM Listing Rules, the Company submitted to the Stock Exchange alternative test to replace profit and revenue tests which produce anomalous results and cannot satisfy the original purpose by reflecting the size of the Group as compared to the Target Group. Based on operating expenses including costs of goods sold as the alternative test, the Acquisition contemplated in the Agreement constitutes a major transaction under Chapter 19 of the GEM Listing Rules. On 27 May 2004, the Company received a written approval on the Agreement from a closely allied group of Shareholders, namely Gold Rainbow, Trueway and Triluck which have no interests in the Agreement or any transaction contemplated thereunder other than through their equity interests in the Company. The shareholding interests of Gold Rainbow, Trueway and Triluck in the Company are 2,820,008,571 Shares (representing approximately 44.01%), 1,410,004,286 Shares (representing approximately 22.01%) and 470,001,429 Shares (representing approximately 7.34%). Gold Rainbow is an indirect wholly-owned subsidiary of CKH. Trueway and Triluck are both indirectly wholly-owned by Mr. Li Ka-shing who is the Chairman of CKH. No Shareholder is required to abstain from voting on the relevant resolution should an extraordinary general meeting be held. Accordingly, no extraordinary general meeting is required to be held to consider the Acquisition contemplated under the Agreement pursuant to Rule 19.44 of the GEM Listing Rules.

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

Yours faithfully,
By Order of the Board
LI TZAR KUOI, VICTOR
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated income statement and the consolidated balance sheet of the Group for the last three financial years extracted from the annual report of the Company for year ended 31 December 2003 is set out below:

	Year ended 31 December		
	2001	**2002**	**2003**
Consolidated income statement	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	148	4,948	27,563
Results from operations	(57,896)	(60,475)	657
Profit/(loss) attributable to shareholders	(57,934)	(88,895)	928

	As at 31 December		
	2001	**2002**	**2003**
Consolidated balance sheet	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	232,293	2,469,723	2,515,897
Current assets	13,412	349,634	343,832
Current liabilities	(20,116)	(24,922)	(46,292)
Non-current liabilities	(421,014)	–	–
Minority interests	–	(351)	(121)
Total net assets/(liabilities)	(195,425)	2,794,084	2,813,316

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, audited consolidated balance sheet and notes to financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2003.

Consolidated Income Statement
for the year ended 31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
Turnover	3	27,563	4,948
Cost of sales		(17,689)	(3,533)
Gross profit		9,874	1,415
Other revenue	4	190,251	76,582
Staff costs	5	(99,517)	(67,376)
Depreciation		(18,812)	(17,498)
Amortization of intangible assets		(2,977)	(685)
Other operating expenses		(78,162)	(52,913)
Profit/(loss) from operations	6	657	(60,475)
Deficit on revaluation of leasehold land and building		–	(28,589)
Share of results of associates		41	–
Profit/(loss) before taxation		698	(89,064)
Taxation	7	–	52
Profit/(loss) before minority interests		698	(89,012)
Minority interests		230	117
Profit/(loss) attributable to shareholders		928	(88,895)
Dividends	8	–	–
Earnings/(loss) per share	9		
– Basic (Hong Kong cents)		0.014 cents	(1.56 cents)
– Diluted (Hong Kong cents)		0.014 cents	N/A

Consolidated Balance Sheet
as at 31 December 2003

		The Group	
		2003	**2002**
	Notes	*HK$'000*	*HK$'000*
Non-current assets			
Fixed assets	10	184,884	186,819
Intangible assets	11	102,324	64,708
Interests in associates	12	32,975	–
Investments in securities	13	1,955,161	1,949,880
Other investments		240,553	268,316
		2,515,897	2,469,723
Current assets			
Other investments		27,763	26,208
Inventories	14	10,105	3,109
Receivables and prepayments	15	65,706	49,596
Bank balances and cash		240,258	270,721
		343,832	349,634
Current liabilities			
Payables and accruals	16	(46,292)	(24,922)
Net current assets/(liabilities)		297,540	324,712
Total assets less current liabilities		2,813,437	2,794,435
Minority interests		(121)	(351)
Total net assets		2,813,316	2,794,084
Capital and reserves			
Share capital	17	640,703	640,700
Share premium and reserves	18	2,172,613	2,153,384
Total shareholders' funds		2,813,316	2,794,084

Notes to Financial Statements

1. ORGANIZATION AND OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the GEM of the Stock Exchange since 16 July 2002.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong as well as the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2003.

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

Investments in associates

An associate is a company, other than a subsidiary, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

Investments in associates are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for diminution in value. Results of associates are incorporated in the income statement to the extent of the Group's share of the post-acquisition profits or losses calculated from their financial statements made up to the financial year end of the Group.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition.

Goodwill arising on acquisition of an associate is capitalized and amortized on a straight line basis over its economic useful life of not more than 20 years and is included within the carrying amount of the associate. On disposal of an associate, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Investments in securities

Investments in securities intended to be held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of investment in securities are dealt with as movements in the investment revaluation reserve. Upon disposal of the securities, the relevant revaluation surplus or deficit is dealt with in the income statement.

Other investments

Other investments are stated at cost plus or minus the cumulative amortization of the difference between the purchase price and the maturity amount. Annual amortization of any discount or premium on acquisition of the other investments is aggregated with income from other investments over the tenure of the instrument.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can clearly be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Changes in value on revaluation of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits/losses.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land and building	Over the terms of the lease
Laboratory instruments, plant and equipment	20%
Office equipment, furniture and fixtures	20%-33$^{1}/_{3}$%

Intangible assets

(a) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as an expense in the period in which it is incurred.

Expenditure incurred on projects in developing new products is capitalized and deferred when the projects are clearly defined and the relevant expenditure is recoverable through future commercial activities. Capitalized development costs are stated at cost less amortization and impairment losses. Amortization of development costs is charged to the income statement on a straight line basis over the estimated commercial lives of the underlying products.

(b) Patents

Patents are stated initially at acquisition cost and are amortized on a straight-line basis over the estimated commercial lives of the relevant products.

Subsequent expenditure on an intangible asset after its completion is recognized as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be reliably measured and attributed to the asset. If these conditions are met, the subsequent expenditure is added to the cost of the intangible assets.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and includes all costs incurred in bringing the stocks to their present condition and location. Net realizable value is determined by the estimated selling price in the ordinary course of business less estimated costs to completion and costs expected to be incurred in marketing, selling and distribution.

Revenue recognition

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

Operating leases

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefit costs

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

Foreign currencies

The financial records of the Company are maintained in Hong Kong Dollars. Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates on the relevant reporting date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, assets and liabilities of the Group's subsidiaries with financial records maintained in foreign currencies are translated at the prevailing rates on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in the Group's translation reserve.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Deferred tax liabilities are provided in full on all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

In prior year, deferred tax was recognized on timing differences to the extent that it was probable that a liability or an asset would be crystallized in the foreseeable future. The change of the policy in compliance with the requirements of the revised Statements of Standard Accounting Practice No.12 "Income Tax" issued by the Hong Kong Society of Accountants does not have any material impact on the Group's financial statements.

3. TURNOVER

Turnover represents the net amounts received and receivable for sales of environmental friendly fertilizers and nutraceutical products.

4. OTHER REVENUE

Other revenue includes:

	2003	**2002**
	HK$'000	*HK$'000*
Interest income from bank	2,686	12,145
Interest income from investments in securities		
– Listed	43,468	18,939
– Unlisted	105,605	33,267
Income from other investments		
– Unlisted	28,863	7,951
Gain on disposal of investments in securities	8,696	3,675

5. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$120,139,000 (2002: HK$82,340,000) of which HK$20,622,000 (2002: HK$14,964,000) relating to development activities was capitalized.

Staff costs also include operating lease rentals of HK$889,000 (2002: HK$959,000) in respect of accommodation provided to staff.

6. PROFIT/(LOSS) FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) from operations has been arrived at after charging:		
Auditors' remuneration	447	369
Research and development expenditure	73,562	60,800
Amount capitalized as development costs	(36,632)	(26,753)
	36,930	34,047
Amortization of development costs	2,464	552
	39,394	34,599
Amortization of patents	334	133
Amortization of goodwill	179	–
Loss on disposal of fixed assets	–	2,871

7. TAXATION

No provision for Hong Kong Profits Tax was made in 2003 as there was no assessable profit for the year. The credit balance in 2002 represents over provision of taxation in prior year written back.

The charge for the year can be reconciled to the consolidated income statement as follows:

	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) before taxation	698	(89,064)
Notional tax at tax rate of 17.5% (2002: 16%)	122	(14,250)
Tax effect of non-deductible expenses	13,802	8,465
Tax effect on non-taxable income	(40,506)	(13,278)
Over provision in respect of prior year	–	(52)
Tax effect of tax losses not recognized	32,704	27,394
Tax effect on accelerated depreciation allowance	(4,862)	(8,294)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,260)	(37)
Tax expenses/(credit)	–	(52)

At year end, the total un-utilized tax losses amounted to HK$387,000,000 (2002: HK$ 209,000,000), resulting in deferred tax assets of HK$67,800,000 (2002: HK$33,500,000). Such assets have not been recognized in the aforesaid periods as there is no immediate plan to utilize the tax losses to offset profits in the foreseeable future.

8. DIVIDENDS

The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2003 (2002: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) for the year		
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	928	(88,895)
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	6,407,007,562	5,705,158,904
Effect of dilutive potential ordinary shares	1,229,999	N/A
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	6,408,237,561	N/A

No diluted loss per share is presented for the year 2002 as the effect on the exercise of the share options granted by the Company is anti-dilutive.

10. FIXED ASSETS

	Leasehold land and building	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Cost or valuation				
At 1 January 2003	115,000	62,701	36,460	214,161
Additions	–	18,330	4,328	22,658
At 31 December 2003	115,000	81,031	40,788	236,819
Depreciation				
At 1 January 2003	–	15,227	12,115	27,342
Provided for the year	2,584	14,072	7,937	24,593
At 31 December 2003	2,584	29,299	20,052	51,935
Net book value				
31 December 2003	112,416	51,732	20,736	184,884
31 December 2002	115,000	47,474	24,345	186,819

The leasehold land and building is situated in Hong Kong with lease term up to 27 June 2047. It was revalued at HK$115,000,000 on 31 December 2002 by the Directors on an open market basis with reference to valuation as at 30 April 2002 by DTZ Debenham Tie Leung, an independent professional valuer. The Directors considered that as at 31 December 2003, the fair value of this leasehold land building did not differ materially from that of 31 December 2002. Had the leasehold land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$140,361,000 (2002: HK$143,589,000).

11. INTANGIBLE ASSETS

	Development costs	**Patents**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
Cost			
At 1 January 2003	58,757	6,689	65,446
Additions	36,632	3,782	40,414
At 31 December 2003	95,389	10,471	105,860
Amortization			
At 1 January 2003	595	143	738
Provided for the year	2,464	334	2,798
At 31 December 2003	3,059	477	3,536
Net book value			
At 31 December 2003	92,330	9,994	102,324
At 31 December 2002	58,162	6,546	64,708

12. INTERESTS IN ASSOCIATES

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Share of net assets of unlisted associates	24,567	–
Goodwill arising on acquisition	8,408	–
	32,975	–

Goodwill of HK$8,587,000 arose from the acquisition of an associate in 2003. Amortization of goodwill charged in the current year amounting to HK$179,000 has been included in the consolidated income statement.

13. INVESTMENTS IN SECURITIES

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Non trading debt securities:		
Listed overseas at market value	651,596	638,731
Unlisted	1,303,565	1,311,149
	1,955,161	1,949,880

14. INVENTORIES

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Raw materials	3,714	1,935
Work in progress	63	–
Finished goods	6,328	1,174
	10,105	3,109

15. RECEIVABLES AND PREPAYMENTS

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Trade receivables	10,049	2,150
Other receivables, deposits and prepayments	55,657	47,446
	65,706	49,596
Trade receivables		
Aged 0 to 90 days	9,991	2,150
Aged more than 90 days	58	–

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

16. PAYABLES AND ACCRUALS

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Trade payables	4,653	2,687
Other payables and accrued charges	41,639	22,235
	46,292	24,922
Trade payables		
Aged 0 to 90 days	4,653	2,687

17. SHARE CAPITAL

	Number of shares of HK$0.1 each	**Nominal value**
	'000	*HK$'000*
Authorized:		
As at 31 December 2002 and 31 December 2003	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2002	–	–
New issue for cash at par	1	1
Issue of Shares on capitalization of loan due to immediate holding company	69	6
Issue of Shares on capitalization of share premium	5,099,930	509,993
Issue of Shares by way of placing and public offer	1,307,000	130,700
At 1 January 2003	6,407,000	640,700
Shares issue under share option scheme	30	3
As at 31 December 2003	6,407,030	640,703

18. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
The Group					
2002					
At 1 January 2002	–	–	–	(195,425)	(195,425)
Surplus on revaluation of investments in securities	–	46,042	–	–	46,042
Premium on issue of Shares by capitalization of loan due to immediate holding company	522,151	–	–	–	522,151
Amount utilized for paying up new shares	(509,993)	–	–	–	(509,993)
Premium on issue of Shares	2,483,300	–	–	–	2,483,300
Share issue expenses	(103,796)	–	–	–	(103,796)
Loss for the year	–	–	–	(88,895)	(88,895)
At 31 December 2002	2,391,662	46,042	–	(284,320)	2,153,384
2003					
At 1 January 2003	2,391,662	46,042	–	(284,320)	2,153,384
Issue of Shares under share option scheme	45	–	–	–	45
Realized on disposal/ redemption of investments in securities	–	(11,579)	–	–	(11,579)
Surplus on revaluation of investments in securities	–	29,485	–	–	29,485
Exchange difference on translation of financial statements of overseas operations	–	–	350	–	350
Profit for the year	–	–	–	928	928
At 31 December 2003	2,391,707	63,948	350	(283,392)	2,172,613

19. SHARE OPTION SCHEME

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

As at 31 December 2003, options to subscribe for an aggregate of 13,098,000 Shares granted to certain continuous contract employees pursuant to the Share Option Scheme were outstanding, details of which are as follows:

	Number of share options							
Date of grant	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2003	Option period	Subscription price per Share *HK$*
30/9/2002	4,186,000	–	30,000	204,000	–	3,952,000	30/9/2003-29/9/2012	1.598
27/1/2003	–	9,628,000	–	482,000	–	9,146,000	27/1/2004-26/1/2013	1.446

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

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

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

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

On 19 January 2004, options to subscribe for 10,160,000 Shares were granted to certain continuous contract employees pursuant to the Share Option Scheme at a subscription price of HK$1.762 and with an exercise period from 19 January 2005 to 18 January 2014. Details of the vesting period for this lot of options are same as the above two lots of options.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised and no charge is recognized in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the Shares and the excess of the exercise price per Share over the nominal value of the Shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of options.

20. OPERATING LEASE COMMITMENT

Leases are negotiated for a term ranging from one to two years and rentals are fixed for an average of one year. Minimum lease charges payable by the Group within one year under non-cancellable operating leases in respect of rented premises were HK$560,000 (2002: HK$1,202,000). There are no leases with terms more than one year.

21. CAPITAL COMMITMENT

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of laboratory instrument, plant and equipment contracted but not provided for in the financial statements	14,757	9,529

22. RETIREMENT BENEFITS SCHEME

The principal employees retirement schemes operated by the Group are defined contribution schemes. Contribution are made by either the employer only or both the employer and the employees at rates ranging from approximately 5% to 10% on the employees' salary.

The Group's cost incurred on employees retirement schemes for the year was HK$7,356,000 (2002: HK$5,285,000) and forfeited contribution during the year of HK$778,000 (2002: HK$1,009,000) was used to reduce the Group's contribution in the year.

23. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

a) Directors' emoluments

Details of emoluments paid to the Directors of the Company are as follow:

	2003	**2002**
	HK$'000	*HK$'000*
Directors' fees	650	325
Salaries and other benefits	19,574	18,831
Bonuses	3,054	2,865
Retirement benefits scheme contributions	1,331	1,249
	24,609	23,270

The Directors' fees included an amount of HK$50,000 (2002: HK$25,000) paid to each of the eleven Directors of the Company. Besides, an additional amount of HK$50,000 (2002: HK$25,000) was paid to each of the two Independent Non-executive Directors for their participation in the Company's audit committee during the year.

In addition to the above Directors' fees, the Executive Director respectively received other emoluments for the year ended 31 December 2003 as follows: nil, HK$1,800,000, HK$4,200,000, HK$3,767,000, HK$6,185,000, HK$5,432,000 and HK$2,575,000 (2002: nil, HK$1,800,000, HK$4,200,000, HK$3,770,000, HK$6,106,000, HK$4,493,000 and HK$2,576,000). No other emoluments were paid to the Non-executive Directors and Independent Non-executive Directors.

None of the Directors waived any emoluments in the year ended 31 December 2003. No incentives were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2002: four) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining one (2002: one) are as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Salary and other benefits	3,146	3,395
Bonus	500	500
Retirement benefit scheme contribution	240	240
	3,886	4,135

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

24. SEGMENT INFORMATION

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

a) Business segments

	Eco-agriculture		Nutraceuticals		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	23,692	4,948	3,871	–	27,563	4,948
Segment results	(18,849)	(11,923)	(25,207)	–	(44,056)	(11,923)
Business development expenditure					(43,556)	(35,416)
Research and development expenditure					(36,930)	(34,047)
Corporate expenses					(65,052)	(55,671)
Other revenue					190,251	76,582
Profit/(loss) from operations					657	(60,475)
Deficit on revaluation of land and building					–	(28,589)
Share of results of associates					41	–
Profit/(loss) before taxation					698	(89,064)
Taxation					–	52
Profit/(loss) before minority interests					698	(89,012)
Minority interests					230	117
Profit/(loss) attributable to shareholders					928	(88,895)
Segment assets	38,838	25,301	19,814	5,350	58,652	30,651
Investment in associates					32,975	–
Cash and investments					2,463,735	2,515,125
Other assets					304,367	273,581
Total assets					2,859,729	2,819,357
Segment liabilities	(11,353)	(4,434)	(4,359)	(11)	(15,712)	(4,445)
Other liabilities					(30,580)	(20,477)
Total liabilities					(46,292)	(24,922)

	Eco-agriculture		Nutraceuticals		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information								
Amortization of intangible assets	793	685	39	–	2,145	–	2,977	685
Depreciation	706	516	244	–	17,862	16,982	18,812	17,498
Capital expenditure	3,060	6,602	8,860	2,714	51,152	62,262	63,072	71,578

b) Geographical segments

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

	Turnover		Segment assets		Capital additions	
	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	3,871	–	34,553	26,384	6,439	8,314
Mainland China	16,015	1,644	17,618	966	5,323	1,002
Other Asian countries	5,664	1,903	5,427	3,301	5	–
Australia	1,323	983	1,004	–	153	–
United States of America	690	418	50	–	–	–
	27,563	4,948	58,652	30,651	11,920	9,316

25. RELATED PARTY TRANSACTIONS

During the year, the Group made sales of HK$2,715,000 (2002: nil) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associated company of a substantial Shareholder, CKH.

26. POST BALANCE SHEET EVENTS

In January 2004, the Group set up new ventures with Nanjing Red Sun Co Ltd, for the development of eco-agricultural business in Mainland China. The total capital injections by the Group into these new ventures will amount to RMB73,140,000.

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

Deloitte.
德勤

5 July 2004

The Directors
CK Life Sciences Int'l., (Holdings) Inc.
2 Dai Fu Street
Tai Po Industrial Estate
Hong Kong

Dear Sirs,

Re: CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Paton Fertilizers Pty Ltd ("Paton") and its subsidiaries (hereinafter collectively referred to as the "Paton Group")

We reported on the unaudited pro forma statement of assets and liabilities (the "Statement") of the Group and Paton Group (hereinafter collectively referred to as the "Enlarged Group") set out in Appendix II to the circular of the Company dated 5 July 2004 (the "Circular") issued in connection with the acquisition of the entire issued share capital of Paton (the "Acquisition"), which has been prepared by the directors of the Company, for illustration purposes only, to provide information about how the Acquisition might have affected the assets and liabilities of the Group.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

It is our responsibility to form an opinion on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company.

The Statement has been compiled in accordance with the basis set out in the first paragraph of this letter for illustration purposes only and, because of its nature, it may not be indicative of the financial position of the Group had the Acquisition actually occurred on 31 December 2003 or at any future date.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants and accordingly, we do not express any such assurance on the Statement.

OPINION

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. UNAUDITED PROFORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is a summary of the unaudited proforma statement of assets and liabilities of the Enlarged Group, assuming that the transactions had been completed as at 31 December 2003 for the purpose of illustrating how the transaction might have affected the financial position of the Group.

The unaudited proforma statement of assets and liabilities of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2003 extracted from the annual report of the Company for the year ended 31 December 2003 and the Paton Group as at 31 March 2004 extracted from the Accountants' Report set out in Appendix III of this circular and adjusted for the transactions resulting from the Acquisition.

The unaudited proforma statement of assets and liabilities is prepared to provide financial information on the Enlarged Group as a result of completion of the Acquisition. As it is prepared for illustrative purpose only, it may not purport to represent what the assets and liabilities of the Enlarged Group shall be on the actual completion of the Acquisition.

	The Group	Paton Group	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	184,884	5,724	190,608		190,608
Intangible assets	102,324	66	102,390	12,542(2)	114,932
Interests in associates	32,975	–	32,975		32,975
Investments in securities	1,955,161	–	1,955,161		1,955,161
Other investments	240,553	–	240,553		240,553
	2,515,897	5,790	2,521,687		2,534,229
Current assets					
Other investments	27,763	–	27,763		27,763
Inventories	10,105	11,442	21,547		21,547
Loans to fellow subsidiaries	–	1,018	1,018		1,018
Receivables and prepayments	65,706	12,785	78,491		78,491
Bank balances and cash	240,258	3,080	243,338	(22,120)(1)	221,218
	343,832	28,325	372,157		350,037

	The Group	Paton Group	Total	Pro-forma adjustments	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Payables and accruals	46,292	7,443	53,735		53,735
Loan from a director	–	50	50		50
Loans from fellow subsidiaries	–	15,307	15,307		15,307
Obligations under finance leases	–	432	432		432
	46,292	23,232	69,524		69,524
Net current assets	297,540	5,093	302,633		280,513
Total assets less current liabilities	2,813,437	10,883	2,824,320		2,814,742
Non-current liabilities					
Obligations under finance leases	–	542	542		542
Loan from a fellow subsidiary	–	763	763		763
	–	1,305	1,305		1,305
Minority interests	121	–	121		121
Net assets	2,813,316	9,578	2,822,894		2,813,316

Notes:

(1) The adjustment reflects the payment of the consideration of A$4 million (approximately HK$22.1 million) in cash.

(2) The adjustment reflects goodwill arising from the excess of consideration paid over the fair value of assets and liabilities of the Paton Group acquired of approximately A$2,268,000 (approximately HK$12.5 million).

2. INDEBTEDNESS

At the close of business on 30 April 2004, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$86.7 million in aggregate. These borrowings comprise of secured bank loans of approximately HK$56.9 million, other unsecured loans of approximately HK$28.6 million and finance leases obligation of approximately HK$1.2 million.

As at 30 April 2004, certain assets with a net book value of approximately HK$77.7 million of the Group were pledged as security for banking facilities granted to the Enlarged Group.

Save as aforesaid or as otherwise mentioned herein and apart from intra-Group liabilities, the Enlarged Group did not, at the close of business on 30 April 2004, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's cash and bank balances as well as the liquidity of its securities, the Enlarged Group will have sufficient working capital for its present requirements following the completion of the Acquisition.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial position of the Group since 31 December 2003, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

Deloitte.
德勤

5 July 2004

The Directors
CK Life Sciences Int'l., (Holdings) Inc.
2 Dai Fu Street
Tai Po Industrial Estate
Hong Kong

Dear Sirs,

We set out below our report on the financial information set out in sections I to XIV ("Financial Information") below regarding Paton Fertilizers Pty Ltd ("Paton") and its subsidiaries as stated below (hereinafter collectively referred to as the "Target Group") for each of the three years ended 30 June 2001, 2002 and 2003 and the nine months ended 31 March 2004 (the "Relevant Periods") for inclusion in the circular dated 5 July 2004 issued by CK Life Sciences Int'l., (Holdings) Inc. (the "Company") in connection with the acquisition (the "Acquisition") of the entire issued share capital of Paton (the "Circular").

Paton was incorporated in Australia as a private limited liability company on 17 August 1965 under the name of W. Paton (Fertilizers) Pty Ltd and had changed its name to Paton Fertilizers Pty Ltd on 19 January 1998.

Paton is principally engaged in investment holding and manufacture and sale of fertilizer. As at the date of this report, Paton has 100% direct interests in the following subsidiaries, all of which were incorporated in Australia.

Name of subsidiary	Date of incorporation	Class of shares held	Issued and fully paid share capital	Principal activities
Inchem Pty Ltd (previously known as Australia Horticultural Distributor Pty Ltd)	8 July 1998	Ordinary	A$10	Trading of fertilizer
Weed Doctor Pty Ltd	1 July 1996	Ordinary	A$20	Inactive

The financial statements of the Target Group for the year ended 30 June 2001 which were prepared in accordance with the relevant accounting principles and financial regulations applicable to Australian enterprises were audited by Armstrong & Wily & Co., Chartered Accountants in Australia. No audited financial statements have been prepared for the Target Group for each of the two years ended 30 June 2002 and 2003 and the nine months ended 31 March 2004 due to the absence of any requirement for audit in the jurisdiction in which the Target Group are incorporated. For the purpose of this report, we have, however, carried out independent audit procedures with reference to Statements of Auditing Standards issued by the Hong Kong Society of Accountants ("HKSA") on the management accounts of the companies comprising the Target Group for each of the two years ended 30 June 2002 and 2003 and the nine months ended 31 March 2004.

We have examined the audited financial statements and the management accounts of the Target Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKSA.

The Financial Information, which is expressed in Australian dollars, has been prepared based on the audited financial statements and the management accounts, where appropriate, for the Relevant Periods of the companies comprising the Target Group, on the bases set out in section I below, after making such adjustments as we consider appropriate.

Paton's directors are responsible for the Financial Information. It is our responsibilities to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Group and Paton as at 30 June 2001, 30 June 2002, 30 June 2003 and 31 March 2004 and of the results and cash flows of the Target Group for each of the periods then ended.

I. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong. The significant accounting policies which are consistent with those adopted by the Company are as follows:

(a) Basis of consolidation

The consolidated Financial Information incorporate the financial statements of Paton and its subsidiaries, Inchem Pty Ltd and Weed Doctor Pty Ltd made up to the respective balance sheet dates. Results of subsidiaries acquired during the Relevant Periods are included as from their effective dates of acquisition to the end of each Relevant Periods.

(b) Subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment loss where appropriate.

(c) Intellectual property rights

Intellectual property rights, include purchased trademark and brand name, are amortised on a straight-line basis over their estimated useful lives ranging from two to five years.

(d) Mining leases

The cost of mining lease right is amortised over a period of five years during which the related benefits are expected to be realised.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can clearly be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

I. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) Fixed assets – continued

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	$2\frac{1}{2}$%
Plant and equipment	7%-$33\frac{1}{3}$%
Furniture and fixtures	5%-27%
Motor vehicles	18%-$33\frac{1}{3}$%

(f) Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and includes all costs incurred in bringing the inventories to their present condition and location. Net realisable value is determined by the estimated selling price in the ordinary course of business less estimated costs to completion and costs expected to be incurred in marketing, selling and distribution.

(h) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably. Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

I. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of the assets remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

(j) Finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Target Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

(k) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

(l) Foreign currencies

The financial records of Paton and its subsidiaries are maintained in Australian dollars. Transactions in currencies other than Australian dollars are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Australian dollars are re-translated at the prevailing rates on the relevant reporting date. Gains and losses arising on exchange are dealt with in the income statement.

(m) Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. Deferred tax liabilities are provided in full on all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deducible temporary differences and unused tax losses can be utilised.

II. INCOME STATEMENTS OF TARGET GROUP

		Year ended 30 June			Nine months ended 31 March
		2001	**2002**	**2003**	**2004**
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Turnover	a	9,230	12,104	10,376	8,521
Cost of sales		(7,341)	(8,513)	(6,960)	(5,663)
Gross profit		1,889	3,591	3,416	2,858
Other revenue		63	73	86	61
Staff costs		(1,575)	(1,630)	(1,827)	(1,388)
Depreciation		(184)	(192)	(149)	(120)
Other operating expenses		(1,123)	(1,679)	(1,414)	(1,041)
Profit/(loss) from operations		(930)	163	112	370
Finance costs	b	(13)	(84)	(36)	(36)
Profit/(loss) before taxation	c	(943)	79	76	334
Taxation	d	–	–	–	–
Profit/(loss) for the year/ period		(943)	79	76	334
Earnings/(loss) per share	e	A$(9.42)	A$0.79	A$0.76	A$3.34

(a) Turnover

Turnover represents the net amounts received and receivable for sales of fertilizers.

II. INCOME STATEMENTS OF TARGET GROUP – CONTINUED

(b) Finance costs

	Year ended 30 June			Nine months ended 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Interests on:				
Finance lease	11	12	17	8
Loans from a fellow subsidiary	2	72	19	28
	13	84	36	36

(c) Profit/(loss) before taxation

	Year ended 30 June			Nine months ended 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Profit/(loss) before taxation has been arrived at after charging/ (crediting):				
Amortisation of mining lease right included in other operating expenses	3	2	–	–
Amortisation of intellectual property rights included in other operating expenses	–	–	4	3
Impairment loss of intellectual property rights	–	–	6	–
Auditors' remuneration	18	–	–	–
Operating lease charges in respect of renting of premises	323	336	246	276
Profit on disposal of fixed assets	(8)	(20)	(17)	–
Bank interest income	(19)	(38)	(47)	(34)

II. INCOME STATEMENTS OF TARGET GROUP – CONTINUED

(d) Taxation

No provision for profits tax was required for each of the two years ended 30 June 2001 and 2003 as the Target Group did not have any assessable profit for those years. No tax was payable on the profit for the year ended 30 June 2002 and the nine months ended 31 March 2004 since the assessable profits were wholly absorbed by the tax losses brought forward.

The taxation charge can be reconciled to the profit/(loss) before taxation for the Relevant Periods per the income statements as follows:

	Year ended 30 June			Nine months ended 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Profit/(loss) before taxation	(943)	79	76	334
Tax (credit)/charge at the domestic profits tax rate of 30%	(283)	23	23	101
Tax effect of non-deductible expenses	1	–	3	2
Tax effect of concessionary deductions	–	(8)	(19)	(11)
Tax effect of unrecognised deductible temporary differences arising/(reversal) during the year/period	15	11	(23)	21
Tax effect of unrecognised tax losses arising during the year	266	–	16	–
Tax effect of utilisation of tax losses	–	(21)	–	(113)
Others	1	(5)	–	–
	–	–	–	–

Certain amounts of the tax losses incurred by the Target Group of approximately A$339,000, A$478,000 and A$190,000 for the year ended 30 June 2001, 30 June 2002 and 30 June 2003 respectively had been applied to offset against the taxable profit of Paton's ultimate holding company. Upon the acquisition of the Target Group by the Company, the tax losses of Target Group are no longer be available for utilisation by its existing holding company and fellow subsidiaries but will be available for offset against the taxable profit of the Company and its subsidiaries if the criteria for offset under the Australian tax regime are met.

II. INCOME STATEMENTS OF TARGET GROUP – CONTINUED

(d) Taxation – Continued

Deferred tax liability/(asset) was provided on the following temporary differences:

	As at 30 June			As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Accelerated tax depreciation	44	50	56	61
Tax losses recognised	(44)	(50)	(56)	(61)
	–	–	–	–

Deferred tax asset has not been recognised on the remaining tax losses of approximately A$1,353,000, A$802,000, A$670,000 and A$290,000 as at 30 June 2001, 30 June 2002, 30 June 2003 and 31 March 2004 respectively due to unpredictability of future profit stream.

Other deductible temporary differences of A$195,000, A$232,000, A$154,000 and A$223,000 as at 30 June 2001, 30 June 2002, 30 June 2003 and 31 March 2004 respectively have not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(e) Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year/period for each of the Relevant Periods and the number of shares in issue during the Relevant Periods.

Diluted earnings/(loss) per share has not been presented as there were no potential dilutive shares in existence during the Relevant Periods.

III. BALANCE SHEETS

Consolidated balance sheet of Target Group

		As at 30 June			As at 31 March
		2001	2002	2003	2004
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Non-current assets					
Fixed assets	a	868	934	894	1,035
Intangible assets	b	2	–	15	12
		870	934	909	1,047
Current assets					
Inventories	d	2,490	1,866	2,399	2,069
Loans to fellow subsidiaries	e	923	217	200	184
Accounts receivable, deposits and prepayments	f	2,005	1,997	1,550	2,312
Cash at bank		80	911	656	557
		5,498	4,991	4,805	5,122
Current liabilities					
Loan from a director	g	45	39	3	9
Loans from fellow subsidiaries	h	1,907	2,196	2,263	2,768
Accounts payable and accruals	i	3,054	2,132	1,700	1,346
Obligations under finance leases	j	26	62	79	78
		5,032	4,429	4,045	4,201
Net current assets		466	562	760	921
Total assets less current liabilities		1,336	1,496	1,669	1,968

III. BALANCE SHEETS – CONTINUED

Consolidated balance sheet of Target Group – Continued

			As at 30 June		As at 31 March
		2001	**2002**	**2003**	**2004**
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Non-current liabilities					
Loan from a fellow subsidiary	h	–	–	174	138
Obligations under finance leases	j	93	174	97	98
		93	174	271	236
NET ASSETS		1,243	1,322	1,398	1,732
Share capital	k	100	100	100	100
Share premium		369	369	369	369
Capital reserve		518	518	518	518
Retained profits	l	256	335	411	745
CAPITAL AND RESERVES		1,243	1,322	1,398	1,732

III. BALANCE SHEETS – CONTINUED

Balance sheet of Paton

			As at 30 June		As at 31 March
		2001	**2002**	**2003**	**2004**
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Non-current assets					
Fixed assets	a	868	934	894	1,035
Intangible assets	b	2	–	15	12
Interests in subsidiaries	c	1	1	1	1
		871	935	910	1,048
Current assets					
Inventories	d	2,490	1,866	2,399	2,069
Unsecured non-interest bearing loans to subsidiaries		210	140	191	363
Loans to fellow subsidiaries	e	923	217	200	184
Accounts receivable, deposits and prepayments	f	1,835	1,937	1,516	2,231
Cash at bank		35	826	503	279
		5,493	4,986	4,809	5,126
Current liabilities					
Loan from a director	g	45	39	3	9
Loans from fellow subsidiaries	h	1,907	2,196	2,263	2,768
Accounts payable and accruals	i	3,054	2,132	1,700	1,343
Obligations under finance leases	j	26	62	79	78
		5,032	4,429	4,045	4,198
Net current assets		461	557	764	928
Total assets less current liabilities		1,332	1,492	1,674	1,976

III. BALANCE SHEETS – CONTINUED

Balance sheet of Paton – Continued

			As at 30 June		As at 31 March
		2001	2002	2003	2004
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Non-current liabilities					
Loan from a fellow subsidiary	h	–	–	174	138
Obligations under finance leases	j	93	174	97	98
		93	174	271	236
NET ASSETS		1,239	1,318	1,403	1,740
Share capital	k	100	100	100	100
Share premium		369	369	369	369
Capital reserve		518	518	518	518
Retained profits	l	252	331	416	753
CAPITAL AND RESERVES		1,239	1,318	1,403	1,740

III. BALANCE SHEETS – CONTINUED

Notes to balance sheets of Target Group and Paton

(a) Fixed assets

TARGET GROUP AND PATON

	Plant and equipment *A$'000*	Leasehold improvements *A$'000*	Furniture and fixtures *A$'000*	Motor vehicles *A$'000*	Total *A$'000*
COST					
As at 1 July 2000	1,243	9	107	614	1,973
Additions	258	37	–	85	380
Disposals	(116)	–	–	(117)	(233)
As at 30 June 2001	1,385	46	107	582	2,120
Additions	94	19	1	148	262
Disposals	–	–	–	(138)	(138)
As at 30 June 2002	1,479	65	108	592	2,244
Additions	97	–	–	43	140
Disposals	(66)	–	(31)	(107)	(204)
As at 30 June 2003	1,510	65	77	528	2,180
Additions	260	–	1	–	261
Disposals	(5)	–	–	–	(5)
As at 31 March 2004	1,765	65	78	528	2,436
ACCUMULATED DEPRECIATION					
As at 1 July 2000	762	–	100	416	1,278
Charge for the year	99	1	1	83	184
Eliminated on disposals	(116)	–	–	(94)	(210)
As at 30 June 2001	745	1	101	405	1,252
Charge for the year	125	1	2	64	192
Eliminated on disposals	–	–	–	(134)	(134)
As at 30 June 2002	870	2	103	335	1,310
Charge for the year	72	2	1	74	149
Eliminated on disposals	(64)	–	(31)	(78)	(173)
As at 30 June 2003	878	4	73	331	1,286
Charge for the period	67	1	1	51	120
Eliminated on disposals	(5)	–	–	–	(5)
As at 31 March 2004	940	5	74	382	1,401

III. BALANCE SHEETS – CONTINUED

(a) Fixed assets – Continued

TARGET GROUP AND PATON

	Plant and equipment	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*
NET BOOK VALUE					
As at 30 June 2001	640	45	6	177	868
As at 30 June 2002	609	63	5	257	934
As at 30 June 2003	632	61	4	197	894
As at 31 March 2004	825	60	4	146	1,035

The net book values of plant and equipment include an amount of A$135,000, A$234,000, A$197,000 and A$192,000 as at 30 June 2001, 30 June 2002, 30 June 2003 and 31 March 2004 respectively in respect of assets held under finance leases.

(b) Intangible assets

TARGET GROUP AND PATON

		As at 30 June			As at 31 March
		2001	2002	2003	2004
	Notes	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Mining lease right	(i)	2	–	–	–
Intellectual property rights	(ii)	–	–	15	12
		2	–	15	12

III. BALANCE SHEETS – CONTINUED

(b) Intangible assets – Continued

(i) Mining lease right

	As at 30 June 2001	As at 30 June 2002	As at 30 June 2003	As at 31 March 2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Cost	15	15	15	15
Amortisation				
As at 1 July	10	13	15	15
Charge for the year/period	3	2	–	–
As at 30 June/31 March	13	15	15	15
Net book value	2	–	–	–

(ii) Intellectual property rights

	As at 30 June 2001	As at 30 June 2002	As at 30 June 2003	As at 31 March 2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Cost				
Addition during the year ended 30 June 2003	–	–	25	25
Amortisation and impairment loss				
As at 1 July	–	–	–	10
Charge for the year/period	–	–	4	3
Impairment loss	–	–	6	–
As at 30 June/31 March	–	–	10	13
Net book value	–	–	15	12

III. BALANCE SHEETS – CONTINUED

(c) Interests in subsidiaries

	PATON			
		As at 30 June		As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Unlisted investments, at cost	1	1	1	1

(d) Inventories

	TARGET GROUP AND PATON			
		As at 30 June		As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Raw materials	793	675	749	861
Finished goods	1,639	1,191	1,650	1,208
Goods in transits	58	–	–	
	2,490	1,866	2,399	2,069

All the inventories are carried at cost.

The costs of inventories recognised as an expense during each of the periods are A$7,341,000, A$8,513,000, A$6,960,000 and A$5,663,000 respectively.

(e) Loans to fellow subsidiaries

	TARGET GROUP AND PATON			
		As at 30 June		As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Rotadyne Pty Ltd ("Rotadyne")	710	–	–	–
Gardening.Com.Au. Pty Ltd ("Gardening")	1	–	–	–
Paton, Burns & Co. Pty Ltd ("Paton, Burns & Co")	212	217	200	184
	923	217	200	184

III. BALANCE SHEETS – CONTINUED

(f) Accounts receivable, deposits and prepayments

	TARGET GROUP				PATON			
	As at 30 June			As at 31 March	As at 30 June			31 March
	2001	2002	2003	2004	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Trade receivables	1,975	1,950	1,502	2,165	1,805	1,889	1,467	2,081
Other receivables, deposits and prepayments	30	47	48	147	30	48	49	150
	2,005	1,997	1,550	2,312	1,835	1,937	1,516	2,231

An aged analysis of the trade receivables is as follows:

Aged 0 to 90 days	1,461	1,623	983	1,796	1,300	1,563	980	1,729
Aged 91 to 180 days	514	327	519	369	505	326	487	352
	1,975	1,950	1,502	2,165	1,805	1,889	1,467	2,081

The Target Group has a policy of allowing an average credit period of 30-50 days to its trade customers. For certain customers, credit period is on "crop terms" which is an industry practice. Under "crop terms", customers are required to pay only after the crops are harvested but interest is charged at 0.8% per month on the outstanding balance after 30 days.

(g) Loan from a director

	TARGET GROUP AND PATON			
	As at 30 June			As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
C. P. Walker	45	39	3	9

III. BALANCE SHEETS – CONTINUED

(h) Loans from fellow subsidiaries

	TARGET GROUP AND PATON			
	As at 30 June			As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Gardening				
Term loan	–	–	174	138
Short-term loan	1,199	1,173	1,407	2,069
	1,199	1,173	1,581	2,207
Walleroo Pty Ltd ("Walleroo")	271	1,023	856	699
Pfahlerts Pty Ltd ("Pfahlerts")	437	–	–	–
	1,907	2,196	2,437	2,906
Amount payable shown under				
Current liabilities	1,907	2,196	2,263	2,768
Non-current liabilities	–	–	174	138

(i) Accounts payable and accruals

	TARGET GROUP				PATON			
	As at 30 June			As at 31 March	As at 30 June			31 March
	2001	2002	2003	2004	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Trade payables	1,926	1,659	928	527	1,926	1,659	928	524
Other payables and accrued charges	1,128	473	772	819	1,128	473	772	819
	3,054	2,132	1,700	1,346	3,054	2,132	1,700	1,343

All the trade payables are aged within 30 days.

(j) Obligations under finance leases

	TARGET GROUP AND PATON			
	As at 30 June			As at 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Present value of minimum lease payments under finance leases payable				
Within one year	26	62	79	78
In the second to fifth year inclusive	93	174	97	98
	119	236	176	176
Amount payable shown under				
Current liabilities	26	62	79	78
Non-current liabilities	93	174	97	98

III. BALANCE SHEETS – CONTINUED

(j) Obligations under finance leases – Continued

TARGET GROUP AND PATON

		As at 30 June		As at 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Minimum lease payments under finance leases payable				
Within one year	35	78	88	88
In the second to fifth year inclusive	100	188	102	107
	135	266	190	195
Less: Future finance charges	16	30	14	19
Present value of lease obligations	119	236	176	176

The Target Group has entered into finance lease arrangement for certain equipment for an average lease term of 4 years. The effective borrowing rate for the nine months ended 31 March 2004 was 7.4% per annum. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Interest rates are fixed on the contract date.

(k) Share capital

		As at 30 June		As at 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Authorised:				
105,000 ordinary shares of A$1 each	105	105	105	105
5,000 preference shares of A$1 each	5	5	5	5
	110	110	110	110
Issued and fully paid:				
100,100 ordinary shares of A$1 each	100	100	100	100

There is no change in the authorised, issued and fully paid capital during each of the three years ended 30 June 2001, 2002 and 2003 and the nine months ended 31 March 2004.

III. BALANCE SHEETS – CONTINUED

(l) Retained profits

	TARGET GROUP *A$'000*	PATON *A$'000*
As at 1 July 2000	1,199	1,199
Loss for the year	(943)	(947)
As at 30 June 2001	256	252
Profit for the year	79	79
As at 30 June 2002	335	331
Profit for the year	76	85
As at 30 June 2003	411	416
Profit for the period	334	337
As at 31 March 2004	745	753

IV. STATEMENTS OF CHANGES IN EQUITY OF TARGET GROUP

	A$'000
As at 1 July 2000	2,186
Loss for the year	(943)
As at 30 June 2001	1,243
Profit for the year	79
As at 30 June 2002	1,322
Profit for the year	76
As at 30 June 2003	1,398
Profit for the period	334
As at 31 March 2004	1,732

V. CASH FLOW STATEMENTS OF TARGET GROUP

	Year ended 30 June			Nine months ended 31 March
	2001	2002	2003	2004
	A$'000	*A$'000*	*A$'000*	*A$'000*
Operating activities				
Profit/(loss) for the year/period	(943)	79	76	334
Adjustments for:				
Amortisation of intellectual property rights	–	–	4	3
Amortisation of mining lease right	3	2	–	–
Impairment loss of intellectual property rights	–	–	6	–
Interest expenses	13	84	36	36
Interest income	(19)	(38)	(47)	(34)
Depreciation of fixed assets	184	192	149	120
Profit on disposal of fixed assets	(8)	(20)	(17)	–
Operating cash flows before movements in working capital	(770)	299	207	459
(Increase)/decrease in inventories	(203)	624	(533)	330
(Increase)/decrease in accounts receivable, deposits and prepayments	(846)	8	447	(762)
Increase/(decrease) in accounts payable and accruals	1,391	(922)	(432)	(354)
Net cash from/(used in) operating activities	(428)	9	(311)	(327)
Investing activities				
Proceeds on disposal of fixed assets	31	24	48	–
Purchase of fixed assets *(Note)*	(303)	(94)	(99)	(202)
Purchase of intangible assets	–	–	(25)	–
Interest received	19	38	47	34
Net cash used in investing activities	(253)	(32)	(29)	(168)
Financing activities				
(Provision) of loans to/repayment by fellow subsidiaries	(7)	706	17	16
Provision of loans from fellow subsidiaries	699	289	241	469
Loan from/(repayment to) a director	(496)	(6)	(36)	6
Payment of finance leases	(42)	(51)	(101)	(59)
Interest paid	(13)	(84)	(36)	(36)
Net cash from financing activities	141	854	85	396
Increase/(decrease) in cash and cash equivalents	(540)	831	(255)	(99)
Cash and cash equivalents at beginning of the year/period	620	80	911	656
Cash and cash equivalents at end of the year/period	80	911	656	557
Representing:				
Cash at bank	80	911	656	557

Note:

Purchase of fixed assets excludes certain assets acquired under finance lease arrangement. The total value at the inception of the leases which entered during the year ended 30 June 2001, 30 June 2002, 30 June 2003 and nine months ended 31 March 2004 amounted to A$77,000, A$168,000, A$41,000 and A$59,000 respectively.

VI. SEGMENT INFORMATION

All the Target Group's operations are located and carried out in Australia, and the sole principal activity of the Target Group is the manufacture and sale of fertilizer products. Accordingly, no segment information by business and geographical segment is presented.

VII. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Target Group had the following transactions with related parties:

	Notes	**Year ended 30 June**			**Nine months ended 31 March**
		2001	**2002**	**2003**	**2004**
		A$'000	*A$'000*	*A$'000*	*A$'000*
Fellow subsidiary:					
Rental for leasing of premises from Walleroo	a	323	336	246	276
(Provision)/repayment of funds to/by					
Paton, Burns & Co	b, d	(7)	(5)	17	16
Rotadyne	b, d	–	710	–	–
Gardening	b, d	–	1	–	–
Provision/(Repayment) of funds by/to					
Walleroo	b, d	(501)	752	(167)	(157)
Pfahlerts	b, d	–	(437)	–	–
Gardening	c, d	1,200	(26)	408	626
Interest charge on loans from Gardening	c	2	72	19	28
Director:					
Provision/(repayment) of funds by/to					
C. P. Walker	b, d	(496)	(6)	(36)	6

(a) The operating lease was determined at market rate. The lease has been replaced by a new lease entered into after 31 March 2004 as disclosed in note c in Section XIII.

(b) The loans due from/to these related parties outstanding at the respective period ended dates are disclosed in notes e, g and h in Section III. These loans are unsecured, interest free and repayable on demand.

VII. RELATED PARTY TRANSACTIONS – CONTINUED

(c) The loans due to Gardening outstanding at the respective period ended dates are disclosed in notes e and h in Section III. The loans are unsecured. The term loan carries interest at a rate of 8.5% per annum and is repayable by monthly instalment over a period of five years starting from October 2002 whereas the short-term loan is repayable on demand and carries interest at floating rate.

(d) The balances due to these related parties were transferred to Gardening upon restructuring of these debts subsequent to 31 March 2004. Details are disclosed in note b in Section XIII.

VIII. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Directors' emolument was only paid to one of the executive director of Paton, Mr B. W. Cairns, details of which are as follows:

	Year ended 30 June			Nine months ended 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Directors' fee	–	–	–	–
Salary and other benefits	97	97	98	80
Bonus	–	–	–	–
Retirement benefit scheme contributions	7	7	14	8
	104	104	112	88

None of the directors waived any emoluments during the Relevant Periods. No incentives were paid by the Target Group to the directors as inducement to join or upon joining the Target Group or as compensation for loss of office.

VIII. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – CONTINUED

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, one of them is director whose emoluments for each of the periods are disclosed in note (a) above. The emoluments of each of the remaining four highest paid individuals was within A$180,832 (equivalent to HK$1,000,000). Details of which were as follows:

	Year ended 30 June			Nine months ended 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Salaries and other benefits	276	256	262	225
Bonuses	–	–	–	–
Retirement benefit scheme contributions	22	21	24	20
	298	277	286	245

IX. RETIREMENT BENEFIT SCHEMES

The Target Group has established a superannuation fund in accordance with the Australian rule. The assets of the superannuation fund are held separately from those of the Group in an insured fund under the control of trustees. The only obligation of the Target Group with respect to the superannuation fund is to make 9% of the employees' gross wage to the fund. During the years ended 30 June 2001, 2002 and 2003 and nine months ended 31 March 2004, the Target Group's costs incurred on the scheme were A$ 92,917, A$108,528, A$126,417 and A$ 85,588 respectively.

X. DISTRIBUTABLE RESERVE

Paton's reserve available for distribution to shareholders amounted to A$252,000, A$331,000, A$416,000 and A$753,000 as at 30 June 2001, 30 June 2002, 30 June 2003 and 31 March 2004 respectively.

XI. COMMITMENTS

At the balance sheet dates, the Target Group and Paton had commitments for future minimum lease payments to a fellow subsidiary under non-cancellable operating leases in respect of renting of premises which fall due as follows:

		As at 30 June		As at 31 March
	2001	**2002**	**2003**	**2004**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Within one year	334	141	256	396
In the second to fifth years inclusive	141	–	1,832	1,152
	475	141	2,088	1,548

XII. ULTIMATE HOLDING COMPANY

As at 31 March 2004, the directors consider that Paton's ultimate holding company is Tholepin Pty Limited, a private limited company incorporated in Australia.

XIII. SUBSEQUENT EVENTS

The following events had taken place subsequent to 31 March 2004:

(a) A dividend of A$600,000 was declared to the shareholder in May 2004.

(b) On 27 May 2004, the debts due to the director, Walleroo and Gardening were replaced by a term loan with Gardening. The term loan carries interest at 5% per annum and is secured by a fixed and floating charge on all assets of Paton. It is repayable by two instalments, A$800,000 on 31 December 2004 and the balance on 27 November 2005.

(c) The fellow subsidiary has agreed to terminate the lease as disclosed in Section XI with the Target Group in September 2004 and to enter into a new lease for a term of five years by reference to market rate.

XIV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Paton or any of its subsidiaries have been made up subsequent to 31 March 2004.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

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

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

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

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

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

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

(1) Long positions in the Shares

		Number of Ordinary Shares					
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	1,500,000	–	–	2,820,008,571 (Note 1)	2,821,508,571	44.04%
Kam Hing Lam	Interest of child or spouse	–	4,150,000	–	–	4,150,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Pang Shiu Fun	Beneficial owner & interest of child or spouse	1,500,700 (Note 2)	700 (Note 2)	–	–	1,500,700	0.02%
Chu Kee Hung	Beneficial owner	1,500,000	–	–	–	1,500,000	0.02%
Lam Hing Chau, Leon	Beneficial owner	1,250,000	–	–	–	1,250,000	0.02%
Kwan Chiu Yin, Robert	Interest of a controlled corporation	–	–	500,000 (Note 3)	–	500,000	0.01%
Peter Peace Tulloch	Beneficial owner	700,000	–	–	–	700,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	250,000	–	–	–	250,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	–	–	–	200,000	0.003%

Notes:

1. Such 2,820,008,571 Shares are held by a subsidiary of CKH. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of CKH and thus is taken to be interested in those 2,820,008,571 Shares held by the subsidiary of CKH under the SFO.

2. Such interests comprise the same block of 700 Shares jointly held by Dr. Pang Shiu Fun and his wife.

3. Such Shares are held by a company wholly-owned by Mr. Kwan Chiu Yin, Robert.

(2) Long positions in the underlying Shares

Pursuant to the Share Option Scheme, certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for Shares, details of which as at the Latest Practicable Date were as follows:

Name of Director	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share HK$
Yu Ying Choi, Alan Abel	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Pang Shiu Fun	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Chu Kee Hung	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
	27/1/2003	690,000	27/1/2004 – 26/1/2013	1.446
	19/1/2004	690,000	19/1/2005 – 18/1/2014	1.762
Lam Hing Chau, Leon	30/9/2002	222,000	30/9/2003 – 29/9/2012	1.598
	27/1/2003	480,000	27/1/2004 – 26/1/2013	1.446
	19/1/2004	480,000	19/1/2005 – 18/1/2014	1.762

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

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

(1) Long positions of substantial Shareholders in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	2,820,008,571	44.01%
Gotak Limited	Interest of a controlled corporation	2,820,008,571 (Note i)	44.01%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	2,820,008,571 (Note ii)	44.01%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	2,820,008,571 (Note iii)	44.01%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	2,820,008,571 (Note iii)	44.01%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	2,820,008,571 (Note iii)	44.01%
Trueway International Limited	Beneficial owner	1,410,004,286	22.01%
Tangiers Enterprises Limited	Interest of controlled corporations	1,880,005,715 (Note iv)	29.34%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,700,014,286 (Note v)	73.35%

(2) Long positions of other persons in the Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	470,001,429	7.34%
Cheung Ling Yuk, Larry	Beneficial owner	401,585,714 (Note vi)	6.27%

Notes:

i. This represents the same block of Shares as shown against the name of Gold Rainbow above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of Shares in which Gold Rainbow was interested under the SFO.

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

iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of CKH. TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust and TDT2 as trustee of another discretionary trust 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 The Li Ka-Shing Unity Discretionary Trust and TDT2 as trustee of another discretionary trust is deemed to be interested in the same block of Shares as CKH is deemed to be interested as disclosed in Note ii above.

iv. Trueway and Triluck are wholly-owned by Tangiers and Tangiers is deemed to be interested in a total of 1,880,005,715 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.

v. This represents the aggregate of the blocks of Shares in which Tangiers and CKH are respectively deemed to be interested under the SFO. As Mr. Li Ka-shing owns the entire issued share capital of Tangiers and 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, under the SFO, Mr. Li Ka-shing is deemed to be interested in the same number of Shares in which both Tangiers and CKH are deemed to be interested as mentioned above.

vi. The interests of Mr. Cheung Ling Yuk, Larry in the share options granted by the Company are separately disclosed under the section headed “Details of Options Granted by the Company”.

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

Name of subsidiary	Name of shareholder	No. and class of shares held	% of shareholding
PT Far East Agritech	PT Anggraini Mulia	60,000 ordinary shares	40%
Jiangsu Technology Union Eco-fertilizer Limited	Nanjing Red Sun Co Ltd	US$6,025,234.40 registered capital	47.12%
AquaTower Pty Ltd	Gotak Investment Limited	49 ordinary shares	49%
Fertico Pty Limited	Tennant (2000) Pty Ltd	5,800 ordinary shares	40%

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

DETAILS OF OPTIONS GRANTED BY THE COMPANY

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

As at the Latest Practicable Date, options to subscribe for an aggregate of 22,417,100 Shares granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above and the management Shareholder as disclosed below) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share HK$
30/9/2002	3,864,800	30/9/2003 – 29/9/2012 (Note 1)	1.598
27/1/2003	8,626,300	27/1/2004 – 26/1/2013 (Note 2)	1.446
19/1/2004	9,926,000	19/1/2005 – 18/1/2014 (Note 3)	1.762

Details of the share options granted to Mr. Cheung Ling Yuk, Larry, a management Shareholder, pursuant to the Share Option Scheme as at the Latest Practicable Date were as follows:

Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share
			HK$
30/9/2002	316,000	30/9/2003 – 29/9/2012 (Note 1)	1.598
27/1/2003	580,000	27/1/2004 – 26/1/2013 (Note 2)	1.446
19/1/2004	580,000	19/1/2005 – 18/1/2014 (Note 3)	1.762

Notes:

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

    (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 period:

    (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 period:

    (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.

COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Directors, management Shareholders or their respective associates in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of Company	Nature of Interest
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note)
	Hutchison Whampoa Limited	Deputy Chairman (Note)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note)
	Hutchison Whampoa Limited	Executive Director (Note)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director
Pang Shiu Fun	Cheung Kong (Holdings) Limited	Shareholder
	Hutchison Whampoa Limited	Shareholder

Name of Management Shareholder	Name of Company	Nature of Interest
Li Ka-shing	Cheung Kong (Holdings) Limited	Chairman (Note)
	Hutchison Whampoa Limited	Chairman (Note)

Note: Apart from holding of the directorship in each of CKH and Hutchison Whampoa Limited, 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 CKH and Hutchison Whampoa Limited.

Both CKH and Hutchison Whampoa Limited engage in a wide range of businesses and investments which include, inter alia, health care, dietary supplement businesses and/or research, development, manufacture, marketing and/or sale of pharmaceutical and nutraceutical products through their subsidiaries, associated companies or by way of other forms of investments. The disclosure herein above is made on the basis that there might be a chance that such businesses might have competed, either directly or indirectly, with those of the Group under Rule 11.04 of the GEM Listing Rules.

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

LITIGATION

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

DIRECTORS' INTERESTS IN CONTRACTS

(a) None of the Directors has an existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

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

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

MATERIAL CONTRACTS

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

EXPERT AND CONSENT

The following is the qualification of the accountant who has given its opinions included in Appendix III :

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants

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

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any assets which have been since 31 December 2003, the date to which the latest published audited account of the Group were made up, acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 5 July 2004 and the references to its name included herein in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong on weekday other than public holidays up to and including 20 July 2004:

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

(b) the 2002 and 2003 annual reports of the Company for the two financial years ended 31 December 2002 and 2003 respectively;

(c) the accountants' report on the financial information of the Target Group;

(d) the report from Deloitte Touche Tohmatsu on the unaudited proforma statement of assets and liabilities of the enlarged group;

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

(f) the written approval given by Gold Rainbow, Trueway and Triluck in relation to the Acquisition dated 27 May 2004.

OTHER INFORMATION

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

(b) Mr. Lam Hing Chau, Leon is the qualified accountant and compliance officer of the Company. He is a fellow of Hong Kong Society of Accountants, CPA Australia and The Association of Chartered Certified Accountants, the United Kingdom.

(c) The Company established an audit committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company. The audit committee comprises two Independent Non-executive Directors of the Company, namely Professor Wong Yue-chim, Richard who is the Chairman of such committee, and Mrs. Kwok Eva Lee, further details of whom are set out below:

Professor Wong Yue-chim, Richard, SBS, JP, aged 51, currently serves as Dean of the Faculty of Business and Economics at The University of Hong Kong. Professor Wong has been active in advancing economic research on policy issues in Hong Kong and Mainland China through his work as founding Director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 by the Government of Hong Kong for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. Professor Wong is currently an Independent Non-executive Director of each of Great Eagle Holdings Limited, Industrial and Commercial Bank of China (Asia) Limited and Pacific Century Insurance Holdings Limited.

Mrs. Kwok Eva Lee, aged 62, currently serves as Chair and Chief Executive Officer of Amara International Investment Corporation. Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. and Bank of Montreal, Group of Companies. Mrs. Kwok currently sits on the Audit Committee and Conduct Review Committee of the Bank of Montreal, Group of Companies and the Compensation Committee and Corporate Governance Committee of Husky Energy Inc. She is also a member of the Conference Board of Canada's Advisory Board for the National Awards in Governance. In addition, she previously sat on the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada.

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

(i) the Chairman of the meeting; or

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

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

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

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

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

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

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

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

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

This circular (in both English and Chinese versions) ("Circular") has been posted on the Company's website at http://www.ck-lifesciences.com. Shareholders who have chosen to rely on copies of the Company's Corporate Communication (including but not limited to Annual Report, summary financial report (where applicable), Half-year Report, Summary Half-year Report (where applicable), Quarter Report, notice of meeting, listing document, circular and proxy form) posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Circular.

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

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's Corporate Communication by notice in writing to the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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