

*Poised for*  
**Promising**  
*Growth*



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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

Half-year Report 2006



## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

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

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

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

## Chairman's Statement

During the first half of 2006, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Group") achieved very strong sales growth across our businesses. Boosted by this record sales performance, great strides were made in our overall profitability. It is expected that 2006 would be a landmark year for CK Life Sciences and we are pleased to be on track in reaching new milestones for the Group's growth and development.

### Financial Highlights

HK\$m	The First Half Results		
	2006	2005	Difference
Sales revenue	868.4	155	460%
Investment proceeds	53.8	74.2	(28%)
Total revenue	922.2	229.2	302%
Profit attributable to shareholders	14.8	3.3	349%

For the half-year period ended 30 June 2006, sales revenue reached a high of HK\$868 million, surging 4.6 times over the corresponding period of last year. Total revenue escalated to close to HK\$1 billion. Reflecting this progress, profit attributable to shareholders was about HK\$15 million, an increase of 3½ times from that of the same period last year.

The Board of Directors has not declared any interim dividend for the period under review (2005: Nil).

## Chairman's Statement (cont'd)

### Phenomenal Sales Growth

HK\$'000	Six months ended 30 June		
	2006	2005	Difference
Health-related Business	617,355	21,397	2,785%
Agriculture-related Business	251,042	133,641	88%
<b>Total sales</b>	<b>868,397</b>	<b>155,038</b>	<b>460%</b>

#### *Health-related Business*

With regard to our health-related business, our sales increased about 28 times to approximately HK\$617 million.

The period under review was marked by the highly significant acquisition of an 80% stake in the largest custom contract nutraceutical manufacturer in the US — Vitaquest International Holdings LLC ("Vitaquest"). The acquisition offers extensive synergies with our core business through widening our product portfolio, improving our product offerings, strengthening our R&D and manufacturing capabilities, and extending our sales and distribution network. Vitaquest has made a partial revenue contribution to the Group during the period under review, and is expected to bring in a substantial increase in profit contribution when the full second half contribution is booked.

We are pleased to record a full contribution in the first half from Développement Santé Naturelle A.G. Ltée ("S.N.A.G."), the largest natural health product company in Québec, Canada, which we acquired last year. In April this year, we launched the Adrien Gagnon ("A.G.") line of nutraceuticals, a premium natural health brand from S.N.A.G., in Hong Kong. The sales performance of this brand has been very impressive in Hong Kong and we are planning to extend the range available in order to meet market demand.

#### *Agriculture-related Business*

Agriculture, the other core business of the Group, also performed very well. Sales of our agriculture-related business improved 88% over the same period of last year to HK\$251 million. This performance reflects full half-year contributions from Envirogreen Pty Limited and Nuturf Australia Pty Ltd for the first time.

It can be expected that this growth trend will be sustained as expansion drive continues.

## Chairman's Statement (cont'd)

### R&D Advancements

R&D has always been a major focus of CK Life Sciences. Efforts have been dedicated to carrying out research studies related to human health. Amongst the initiatives, ones regarding cancer have continued to generate satisfactory progress. A number of research studies and clinical trials are underway:

- a) Animal studies on cancer — the Chinese Center for Disease Control and Prevention, Institute for Occupational Health and Poisoning Control; and
- b) Clinical trials on cancer — the Royal Adelaide Hospital in Australia, The Chinese University of Hong Kong, The University of Hong Kong and the Prince of Wales Hospital in Hong Kong.

The Group will accelerate data processing of the various research projects and set out the R&D strategy for the next phase.

### Sound Balance Sheet

CK Life Sciences is in a sound financial position, with cash and net financial assets on hand of HK\$1.2 billion and bank loans of HK\$584 million. With ample liquidity, we will continue to make treasury investments to enhance profitability. At the same time, we will also actively explore more acquisition opportunities around the globe.

### Prospects

It is clear that our strategies are delivering results and business is on an upward trend. With recent acquisitions and pending new product development and launches, the prospects for CK Life Sciences are very promising.

Both core businesses of agriculture and nutraceutical have demonstrated strong growth during the period. In particular, our nutraceutical business has reached a very exciting stage of development and it is our objective to become one of the leading global players in the arena of health supplements. With the acquisition of Vitaquest earlier this year and S.N.A.G. last year, we will be implementing ways to leverage on the resources of these premium natural health businesses to grow our nutraceutical operations. With the successful launch of the A.G. brand in Hong Kong, we intend to launch A.G. in Europe and other markets in Asia, with the aim of building it into a leading international brand.

## Chairman's Statement (cont'd)

At the same time, on the R&D front, the Group will continue its path in expanding the R&D portfolio. Adequate resources will be deployed to speed up the progress of existing studies as well as to initiate more new research projects.

I would like to thank our shareholders, Board of Directors, our staff and business partners for their support. We look forward to even faster sales growth and more product launches around the globe.

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 11 August 2006

## Financial Review

### Capital Structure, Financial Resources and Liquidity

In May 2006, the Company had successfully completed the rights issue of 3,203,690,800 rights shares at HK\$0.65 per rights share in the proportion of one rights share for every two existing shares ("Rights Issue"). The total funds generated from this fund raising exercise was about HK\$2,076,000,000 after deducting all expenses. After the Rights Issue, the capital base of the Company has been substantially enlarged with the total issued share capital increased to about HK\$961,107,000 and the share premium amounted to about HK\$4,147,519,000. The proceeds from the Rights Issue have strengthened the financial position of the Group and facilitated the Company's plan to further expand organically and by acquisition.

As at 30 June 2006, the total assets amounted to HK\$6,054,701,000 of which marketable securities were HK\$977,120,000 and total bank balances and cash were HK\$358,479,000. The marketable securities generated a total investment income of HK\$53,753,000 while the total bank balances and cash generated a total interest income of HK\$9,076,000 for the first six months of 2006 ("the Period").

At the end of the period under review, the total liabilities were HK\$1,163,835,000, comprising total bank loans of HK\$584,369,000. These bank loans were raised for financing the acquisition of overseas subsidiaries as well as providing general working capital for some of the overseas subsidiaries. The maturity profile of these loans varies from 1 to 3 years and incurred a total finance cost of HK\$21,399,000 for the Period. As all the cash and cash equivalent assets of the Group are greater than its total borrowings, the gearing ratio which is based on net borrowings (all borrowings after deducting cash and cash equivalent assets) over total equity, was not applicable as at the end of June 2006. The net asset value of the Group was HK\$0.51 per share.

### Treasury Policies

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

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

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

## Financial Review (cont'd)

### Charge on Assets

As at 30 June 2006, the Group's interests in a subsidiary company with the carrying value of HK\$465,306,000 were pledged as part of the security for a bank loan totaling HK\$386,658,000 granted to the subsidiary company.

### Material Acquisitions/Disposals and Significant Investments

Following the approval by the shareholders in the extraordinary general meeting of the Company held in May 2006, the acquisition of Vitaquest International Holdings LLC ("Vitaquest"), a US company specializing in the manufacture and sales of nutritional supplements worldwide, was completed in the first half of the year.

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$37,840,000 for the Period.

### Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2006, the total capital commitments by the Group amounted to HK\$15,366,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

### Information on Employees

With the inclusion of Vitaquest as a new member of the Group, the total number of the employees surged to 1,360 at 30 June 2006, about 126% increase as compared to that of 602 for the same period last year. The total staff costs, including directors' emoluments, amounted to approximately HK\$207,056,000 for the Period.

The Company had granted 3 lots of stock options in September 2002, January 2003 and January 2004 which would allow its employees to purchase shares of the Company at the respective exercise prices of HK\$1.598, HK\$1.446 and HK\$1.762 per share. After the Rights Issue, the exercise prices and the number of options were adjusted pursuant to the terms of the Share Option Scheme and in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange as well as the supplementary guidance issued by the Stock Exchange on 5 September 2005. The adjusted exercise prices for the aforesaid 3 lots of stock options are HK\$1.422, HK\$1.286 and HK\$1.568 respectively and the total number of outstanding stock options at the end of June 2006 was 17,728,513.

Other than the above changes in stock options, the Group's remuneration policies and fringe benefits remained basically the same as before.

## Condensed Consolidated Income Statement

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover	2	494,636	124,567	922,150	229,236
Costs of sales		(290,438)	(66,112)	(554,311)	(124,362)
Other income	3	204,198	58,455	367,839	104,874
Staff costs	4	15,928	19,704	26,889	36,242
Depreciation		(69,690)	(35,661)	(125,123)	(65,218)
Amortization of intangible assets		(8,299)	(6,869)	(17,120)	(13,471)
Fair value change of financial instruments		(3,924)	(834)	(5,449)	(1,581)
Other operating expenses		(39,699)	2,903	(53,706)	(1,105)
Finance costs		(67,290)	(33,654)	(154,358)	(53,186)
Share of results of associates		(12,187)	(3,365)	(21,399)	(5,234)
Share of results of associates		812	3,001	990	3,221
Profit before taxation		19,849	3,680	18,563	4,542
Taxation	5	3,229	(827)	6,235	(1,039)
Profit for the period		23,078	2,853	24,798	3,503
Attributable to:					
Equity holders of the Company		12,722	2,720	14,785	3,296
Minority interests		10,356	133	10,013	207
		23,078	2,853	24,798	3,503
Earnings per share	6				
– Basic		0.15 cent	0.04 cent	0.19 cent	0.05 cent
– Diluted		N/A	N/A	N/A	N/A

## Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2006 (unaudited) HK\$'000	As at 31 December 2005 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	450,940	359,953
Prepaid lease for land		30,013	27,827
Intangible assets	9	2,993,356	738,738
Interests in associates		31,912	30,922
Financial assets		914,426	1,665,389
Deferred taxation		10,313	7,216
		4,430,960	2,830,045
<b>Current assets</b>			
Financial assets		62,694	107,693
Inventories		312,989	127,914
Receivables and prepayments	10	877,993	202,990
Taxation		11,586	808
Bank balances and other deposits		358,479	411,433
		1,623,741	850,838
<b>Current liabilities</b>			
Payables and accruals	10	(391,557)	(216,958)
Bank loans	11	(104,658)	(93,080)
Finance lease obligations		(2,957)	(559)
Financial liabilities		(106,604)	(54,736)
		(605,776)	(365,333)
<b>Net current assets</b>		1,017,965	485,505
<b>Total assets less current liabilities</b>		5,448,925	3,315,550

## Condensed Consolidated Balance Sheet (cont'd)

	Notes	As at 30 June 2006 (unaudited) HK\$'000	As at 31 December 2005 (audited) HK\$'000
<b>Non-current liabilities</b>			
Bank loans	11	(479,711)	(461,200)
Loan from a minority shareholder		(34,150)	(34,252)
Finance lease obligations		(1,834)	(1,741)
Deferred taxation		(42,364)	(34,270)
		(558,059)	(531,463)
<b>Total net assets</b>		<b>4,890,866</b>	<b>2,784,087</b>
<b>Capital and reserves</b>			
Share capital	12	961,107	640,738
Share premium and reserves		3,873,436	2,095,522
<b>Equity attributable to equity holders of the Company</b>		<b>4,834,543</b>	<b>2,736,260</b>
Minority interests		56,323	47,827
<b>Total equity</b>		<b>4,890,866</b>	<b>2,784,087</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended  
30 June

	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Total equity at 1 January	2,784,087	2,844,988
Prior year adjustment-effect of initial adoption of HKAS39	–	(420)
Net profit for the period	14,785	3,296
Items recognized in reserves:		
– Realised on disposal of financial instruments	–	(23,481)
– Deficit on revaluation of financial instruments	(6,764)	(12,158)
– Employees share options benefits	260	1,080
– Exchange difference on translation of financial statements of overseas operations	14,298	(1,417)
Issue of shares under rights issue:		
– share capital	320,369	–
– share premium	1,755,334	–
Minority interest	8,497	207
Total equity at 30 June	4,890,866	2,812,095

## Condensed Consolidated Cash Flow Statement

For the six months ended  
30 June

	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash used in operating activities	(112,325)	(133,954)
Net cash inflow/(outflow) from investing activities	(2,006,029)	(89,044)
Net cash inflow from financing activities	2,065,400	355,947
Increase in cash and cash equivalents	(52,954)	132,949
Cash and cash equivalents at beginning of the period	411,433	442,850
Cash and cash equivalents at end of the period	358,479	575,799

# Notes to Condensed Consolidated Financial Statements

## 1. Basis of preparation

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

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2005.

## 2. Turnover and segment information

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

### A. Segment turnover

An analysis of the business segment turnover is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	2006	2005
	HK\$'000	HK\$'000
Environment	251,042	133,641
Health	617,355	21,397
Investment	53,753	74,198
	<b>922,150</b>	<b>229,236</b>

## Notes to Condensed Consolidated Financial Statements (cont'd)

### B. Segment results

An analysis of the business segment results is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	2006	2005
	HK\$'000	HK\$'000
Environment	(1,993)	(19,042)
Health	80,490	(9,164)
Investment	18,149	101,946
	96,646	73,740
Business development expenditure	(22,607)	(15,643)
Research and development expenditure	(14,490)	(12,932)
Corporate expenses	(20,577)	(38,610)
Finance costs	(21,399)	(5,234)
Share of results of associates	990	3,221
Profit before taxation	18,563	4,542
Taxation	6,235	(1,039)
Profit for the period	24,798	3,503

### 3. Other income

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

## Notes to Condensed Consolidated Financial Statements (cont'd)

### 4. Staff costs

Staff costs which include salaries, bonuses, equity-settled share-based payment, retirement benefit scheme contribution and recruitment costs for the three months and six months ended 30 June 2006 respectively amounted to HK\$ 139,337,000 (2005: HK\$42,006,000) and HK\$207,056,000 (2005: HK\$77,689,000) of which HK\$5,689,000 (2005: HK\$6,345,000) and HK\$11,284,000 (2005: HK\$12,471,000) relating to development activities were capitalized and HK\$63,958,000 (2005: Nil) and HK\$70,649,000 (2005:Nil) were allocated to costs of sales.

### 5. Taxation

	For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
<b>Overseas</b>		
Current tax	(687)	1,014
Deferred tax	6,922	25
	<b>6,235</b>	<b>1,039</b>

No provision for Hong Kong Profits Tax was made as there was no assessable profit for the three months and the six months respectively ended 30 June 2006 as well as the corresponding last periods.

## Notes to Condensed Consolidated Financial Statements (cont'd)

### 6. Earnings per share

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

	For the three months ended 30 June		For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>Profit for the period</b>				
Profit for calculating basic earnings per share	12,722	2,720	14,785	3,296
<b>Number of shares</b>				
Weighted average number of ordinary shares used in the calculation of basic earnings per share	8,578,568,622	7,201,896,918	7,894,035,731	7,201,896,918

The weighted average numbers of ordinary shares used in the calculation of earnings per share for the three months and six months ended 30 June 2006 have accounted for the issuance of new shares pursuant to the rights issue which was completed on 10 May 2006. The corresponding numbers of ordinary shares for 2005 have been retrospectively adjusted to reflect the said rights issue.

No diluted earnings per share is presented for the three months and six months ended 30 June 2006 because there were no dilutive potential ordinary shares in existence during the relevant periods.

## Notes to Condensed Consolidated Financial Statements (cont'd)

### 7. Dividend

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2006 (2005: Nil).

### 8. Property, plant and equipment

	Building	Laboratory Building under construction	instruments, plant and equipment	Furniture, fixtures and other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>					
At 1 January 2006	105,566	15,420	309,250	56,342	486,578
Net additions	5,630	16,457	23,939	12,895	58,921
Acquisition of subsidiary	81,050	–	110,396	51,161	242,607
<b>At 30 June 2006</b>	<b>192,246</b>	<b>31,877</b>	<b>443,585</b>	<b>120,398</b>	<b>788,106</b>
<b>Accumulated depreciation</b>					
At 1 January 2006	7,501	–	80,416	38,708	126,625
Provided for the period	47,921	–	117,709	44,911	210,541
<b>At 30 June 2006</b>	<b>55,422</b>	<b>–</b>	<b>198,125</b>	<b>83,619</b>	<b>337,166</b>
<b>Net book value</b>					
<b>At 30 June 2006</b>	<b>136,824</b>	<b>31,877</b>	<b>245,460</b>	<b>36,779</b>	<b>450,940</b>
At 31 December 2005	98,065	15,420	228,834	17,634	359,953

## Notes to Condensed Consolidated Financial Statements (cont'd)

## 9. Intangible assets

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Trade- mark HK\$'000	Other Intangible assets HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 January 2006	190,175	12,319	441,103	82,851	23,407	749,855
Net additions	27,606	989	8,247	3,624	17,356	57,822
Arising on acquisition of subsidiaries	–	–	2,021,864	–	181,763	2,203,627
<b>At 30 June 2006</b>	<b>217,781</b>	<b>13,308</b>	<b>2,471,214</b>	<b>86,475</b>	<b>222,526</b>	<b>3,011,304</b>
<b>Amortization</b>						
At 1 January 2006	8,400	1,247	–	–	1,470	11,117
Provided for the year	1,663	320	–	–	4,848	6,831
<b>At 30 June 2006</b>	<b>10,063</b>	<b>1,567</b>	<b>–</b>	<b>–</b>	<b>6,318</b>	<b>17,948</b>
<b>Net book value</b>						
<b>At 30 June 2006</b>	<b>207,718</b>	<b>11,741</b>	<b>2,471,214</b>	<b>86,475</b>	<b>216,208</b>	<b>2,993,356</b>
At 31 December 2005	181,775	11,072	441,103	82,851	21,937	738,738

## Notes to Condensed Consolidated Financial Statements (cont'd)

### 10. Receivables and payables

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

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
<b>Trade debtors</b>		
0 – 90 days	312,432	116,640
> 90 days	69,916	5,381
	<b>382,348</b>	<b>122,021</b>
<b>Trade creditors</b>		
0 – 90 days	168,554	78,342
> 90 days	34,803	1,647
	<b>203,357</b>	<b>79,989</b>

### 11. Bank loans

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

## Notes to Condensed Consolidated Financial Statements (cont'd)

## 12. Share capital

	Number of shares of HK\$0.10 each '000	Nominal value HK\$'000
<b>Authorized</b>		
At 31 December 2005 and 30 June 2006	15,000,000	1,500,000
<b>Issued and fully paid</b>		
At 1 January 2006	6,407,382	640,738
Shares issued under rights issue	3,203,691	320,369
<b>At 30 June 2006</b>	<b>9,611,073</b>	<b>961,107</b>
At 31 December 2005	6,407,382	640,738

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2006, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code on Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	2,250,000	–	–	4,238,634,570 (Note 1)	4,240,884,570	44.12%
Kam Hing Lam	Interest of child or spouse	–	6,225,000	–	–	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Pang Shiu Fun	Beneficial owner & interest of child or spouse	2,250,700 (Note 2)	700 (Note 2)	–	–	2,250,700	0.02%
Chu Kee Hung	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	–	–	–	1,050,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	375,000	–	–	–	375,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	–	–	–	200,000	0.002%

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (cont'd)

Notes:

1. Such 4,238,634,570 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust 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 Cheung Kong Holdings and thus is taken to be interested in those 4,238,634,570 shares held by the subsidiary of Cheung Kong Holdings under the SFO.
2. Such interests comprise the same block of 700 shares jointly held by Dr. Pang Shiu Fun and his wife.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (cont'd)

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

Pursuant to the share option scheme adopted by the Company on 26 June 2002 (the "Share Option Scheme"), certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 30 June 2006 were as follows:

Name of Director	Date of grant	Number of share options					Subscription price per share		Option period	As at date of grant HK\$	Upon adjustment after rights issue HK\$
		Outstanding as at 1 January 2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Adjustment for rights issue	Outstanding as at 30 June 2006	As at date of grant			
Yu Ying Choi,	30/9/2002	310,000	-	-	-	38,440	348,440	30/9/2003 - 29/9/2012	1.598	1.422	
Alan Abel	27/1/2003	690,000	-	-	-	85,560	775,560	27/1/2004 - 26/1/2013	1.446	1.286	
	19/1/2004	690,000	-	-	-	85,560	775,560	19/1/2005 - 18/1/2014	1.762	1.568	
Pang Shiu Fun	30/9/2002	310,000	-	-	-	38,440	348,440	30/9/2003 - 29/9/2012	1.598	1.422	
	27/1/2003	690,000	-	-	-	85,560	775,560	27/1/2004 - 26/1/2013	1.446	1.286	
	19/1/2004	690,000	-	-	-	85,560	775,560	19/1/2005 - 18/1/2014	1.762	1.568	
Chu Kee Hung	30/9/2002	310,000	-	-	-	38,440	348,440	30/9/2003 - 29/9/2012	1.598	1.422	
	27/1/2003	690,000	-	-	-	85,560	775,560	27/1/2004 - 26/1/2013	1.446	1.286	
	19/1/2004	690,000	-	-	-	85,560	775,560	19/1/2005 - 18/1/2014	1.762	1.568	

Save as disclosed above, during the six months ended 30 June 2006, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2006, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Details of Options Granted by the Company

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

As at 30 June 2006, options to subscribe for an aggregate of 17,728,513 shares of the Company granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options							Subscription price per share		
	Outstanding as at 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjustment for rights issue	Outstanding as at 30 June 2006	Option period	As at date of grant HK\$	Upon adjustment after rights issue HK\$
30/9/2002	3,188,500	-	-	522,160	-	378,014	3,044,354	30/9/2003 – 29/9/2012 (Note 1)	1.598	1.422
27/1/2003	7,128,200	-	-	1,164,520	-	841,239	6,804,919	27/1/2004 – 26/1/2013 (Note 2)	1.446	1.286
19/1/2004	8,154,000	-	-	1,239,976	-	965,216	7,879,240	19/1/2005 – 18/1/2014 (Note 3)	1.762	1.568

### Notes:

1. The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 30 September 2003;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

## Details of Options Granted by the Company (cont'd)

2. The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 27 January 2004;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 27 January 2005; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 27 January 2006.
3. The options are exercisable from 19 January 2005 to 18 January 2014 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 19 January 2005;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 19 January 2006; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 19 January 2007.

## Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at 30 June 2006, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	4,238,634,570	44.10%
Gotak Limited	Interest of a controlled corporation	4,238,634,570 (Note i)	44.10%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,238,634,570 (Note ii)	44.10%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,238,634,570 (Note iii)	44.10%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,238,634,570 (Note iii)	44.10%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	4,238,634,570 (Note iii)	44.10%
Trueway International Limited	Beneficial owner	2,119,318,286	22.05%
Tangiers Enterprises Limited	Interest of controlled corporations	2,825,759,715 (Note iv)	29.40%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	7,064,394,285 (Note v)	73.50%

## Interests and Short Positions of Shareholders (cont'd)

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

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	706,441,429	7.35%

#### Notes:

- i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SFO.
- ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.
- iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. TDT1 as trustee of 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 Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.
- iv. Trueway International Limited ("Trueway") and Triluck Assets Limited ("Triluck") are wholly-owned by Tangiers Enterprises Limited ("Tangiers") and Tangiers is deemed to be interested in a total of 2,825,759,715 shares under the SFO, being the aggregate of the shares in which Trueway and Triluck were interested as shown against the names Trueway and Triluck above.
- v. This represents the aggregate of the blocks of shares in the Company in which Tangiers and Cheung Kong Holdings 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 Cheung Kong Holdings are deemed to be interested as mentioned above.

Save as disclosed above, as at 30 June 2006, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Competing Interests

During the six months ended 30 June 2006, the interests of Directors, management shareholders of the Company or their respective associates as defined in the GEM Listing Rules (the "Associates") in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the GEM Listing Rules were as follows:

### (1) Core business activities of the Group

- (i) Research and development, manufacturing, commercialization, marketing and selling of environmental and human health products.
- (ii) Investment in various financial and investment products.

### (2) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note 2)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director and Deputy Chairman (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director (Note 1)	(ii)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director	(ii)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(ii)
	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(i) & (ii)
	TOM Group Limited	Non-executive Director	(ii)
	CATIC International Holdings Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)

## Competing Interests (cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note 2)
Pang Shiu Fun	Cheung Kong (Holdings) Limited	Holder of listed shares	(ii)
	Hutchison Whampoa Limited	Holder of listed shares	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Holder of listed shares	(i) & (ii)
	TOM Group Limited	Holder of listed shares	(ii)
Wong Yue-chim, Richard	Great Eagle Holdings Limited	Independent Non-executive Director	(ii)
	Orient Overseas (International) Limited	Independent Non-executive Director	(ii)
Kwok Eva Lee	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
	Shoppers Drug Mart Corporation	Independent Director	(i)
Colin Stevens Russel	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
<b>Name of Management Shareholder</b>	<b>Name of Company</b>	<b>Nature of Interest</b>	<b>Competing Business (Note 2)</b>
Li Ka-shing	Cheung Kong (Holdings) Limited	Chairman (Note 1)	(ii)
	Hutchison Whampoa Limited	Chairman (Note 1)	(i) & (ii)

### Notes:

1. Apart from holding the directorships, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam and/or their respective family members have direct and/or indirect interests in the shares of such companies where appropriate.
2. Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

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

## Other Information

### Corporate Governance

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2006.

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

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

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

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

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

## Other Information (cont'd)

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

The Company has adopted the model code on securities transactions by directors of listed issuers set out in Chapter 5 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions effective 31 March 2004. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standards set out in the Model Code during the six months ended 30 June 2006.

### (3) Internal Controls

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control system operating in the Group for the six months ended 30 June 2006.

### (4) Audit Committee

The Company established the Audit Committee on 26 June 2002 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The existing Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's half-year report for the six months ended 30 June 2006 has been reviewed by the Audit Committee.

## Other Information (cont'd)

### (5) Remuneration Committee

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

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

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

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

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Corporate Information & Key Date

## Board of Directors

### Executive Directors

LI Tzar Kuoi, Victor

*Chairman*

KAM Hing Lam

*President and Chief Executive Officer*

IP Tak Chuen, Edmond

*Senior Vice President and*

*Chief Investment Officer*

YU Ying Choi, Alan Abel

*Vice President and Chief Operating Officer*

PANG Shiu Fun\*

*Vice President and Chief Technology Officer*

CHU Kee Hung

*Vice President, Technology and Product  
Development*

### Non-executive Directors

Peter Peace TULLOCH

*Non-executive Director*

WONG Yue-chim, Richard

*Independent Non-executive Director*

KWOK Eva Lee

*Independent Non-executive Director*

Colin Stevens RUSSEL

*Independent Non-executive Director*

## Company Secretary

Eirene YEUNG

## Qualified Accountant

MO Yiu Leung, Jerry

## Compliance Officer

YU Ying Choi, Alan Abel

## Audit Committee

WONG Yue-chim, Richard

*Chairman*

KWOK Eva Lee

Colin Stevens RUSSEL

## Remuneration Committee

LI Tzar Kuoi, Victor

*Chairman*

KWOK Eva Lee

Colin Stevens RUSSEL

## Authorized Representatives

IP Tak Chuen, Edmond

Eirene YEUNG

## Auditors

Deloitte Touche Tohmatsu

\* Retired on 1 July 2006

## Corporate Information & Key Date (cont'd)

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
JP Morgan Chase Bank, N.A.  
Canadian Imperial Bank of Commerce  
Commonwealth Bank of Australia

### Legal Advisers

Woo, Kwan, Lee & Lo

### 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

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street, P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands

### Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Rooms 1712 – 1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Hong Kong

### Stock Codes

The Stock Exchange of Hong Kong Limited: 8222  
Bloomberg: 8222 HK  
Reuters: 8222.HK

### Website

<http://www.ck-lifesciences.com>

### Key Date

Half-year Results Announcement 11 August 2006