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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8222)

HALF-YEAR RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2004

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

CHAIRMAN'S STATEMENT

Rapid Progress on All Fronts

CK Life Sciences Int'l, (Holdings) Inc. and its subsidiaries ("CK Life Sciences" or the "Group") have just celebrated its second anniversary since listing. Rapid progress has been recorded on all fronts – financials, sales, acquisitions and R&D. The Group's value has been enhanced by initiatives to deepen penetration in targeted markets and to create more business opportunities, fuelling CK Life Sciences' growth momentum.

Financial Highlights

The Group recorded an unaudited revenue of HK\$147,743,000 for the six months ended 30 June 2004, representing an increase of 30% over the HK\$114,003,000 recorded in the same period last year. The unaudited operating profit came to HK\$1,627,000 for the six months ended 30 June 2004, representing an increase of 3.5 times over the same period last year; and the profit attributable to shareholders was HK\$838,000, a 75% increase over the corresponding period of last year.

HK\$'000	Half-year of 2004	Half-year of 2003	Increase/Decrease (%)
Revenue	147,743	114,003	30
• Sales	• 47,563	• 12,021	• 296
• Investment proceeds	• 100,180	• 101,982	• (2)
Operating profit	1,627	360	352
Profit attributable to shareholders	838	478	75

Solid growth was recorded in the financials for the first six months of the year as compared to the corresponding period last year and increase in revenue growth has been registered. These encouraging results have been made possible by the following factors:

- (1) Success in the development of new markets and new products;
- (2) Impressive investment proceeds sustained;
- (3) A growth in sales revenue.

The Board of Directors has not declared any interim dividend for the period under review.

Business Progress

The Group has made solid achievements in environmental and human-health related businesses since listing. Good progress was made in the following:

- Sales – an increase of 296% in sales revenue over the same period last year;
- Acquisitions – 4 acquisitions were made which will help to widen the product portfolio and strengthen sales and profit potential;
- R&D – rapid progress was achieved in various research studies and satisfactory results were recorded;
- Patent applications – 5 patents were received during the period under review.

(1) Impressive Sales Growth

During the first half of the year, the Group recorded a 296% growth in sales over the same period last year. This is the result of aggressive initiatives launched to increase fertilizer sales and the launch of new products to the market.

Fertilizer sales in China continued to grow due to the Group's participation in a fertilizer distribution network together with its Mainland partner. This new initiative accelerated the pace of penetration into the local fertilizer market, as well as facilitated the increase in sales and profits.

During the period, the Group launched “VitaGain™ for Daily Immunity”, the third nutraceutical product under the VitaGain™ brand. This followed the launches of “VitaGain™ Pre-Cold & Flu Formula” and “VitaGain™ Nasal Allergy Relief” which took place last year. Sales outlets for these nutraceuticals have been expanded to 7 major health care product retail chains.

(2) Synergistic Acquisitions Established

The Group has realized 4 acquisitions in its key markets during the first six months of 2004:

(i) China Agriculture

A distribution network was acquired and a production facility was in the process of being established in the province of Jiangsu together with its Mainland partner. This cooperation has extended the Group's sales and distribution network, and will also expand its manufacturing facilities for fertilizer products, thereby facilitating growth in production and sales.

(ii) Australia Agriculture

In Australia, the Group purchased a 60% stake in Fertico Pty Limited (“Fertico”), a fertilizer company in South Australia, as well as fully acquired Paton Fertilizers Pty Ltd (“Paton Fertilizers”), a long-established fertilizer company in Australia. The investments have strengthened the Group's market penetration capabilities as both their distribution networks and production facilities are well in place in different strategic locations around the country. As a result, the Group's sales and distribution capabilities in Australia have been enhanced, with sales force enlarged and the customer base expanded to 750 entities.

(iii) Australia Bioremediation

The Group acquired 51% of AquaTower Pty Ltd (“AquaTower”), the exclusive potable water supplier of four regional towns in the state of Victoria. The acquisition enables the Group to set foot in the water treatment business, facilitating the Group’s progress in bioremediation.

(3) R&D Demonstrates Efficacy

To accelerate the pace of product development, the Group has initiated a number of research studies in collaboration with research and academic institutions around the world. In the first half of the year, encouraging results have been generated from a number of immunity, anti-cancer, AIDS and nasal allergy research studies.

(i) Immunity Research

A series of *in vitro* and *in vivo* trials were conducted in conjunction with 3 reputable institutions – (a) the Partners AIDS Research Center at Massachusetts General Hospital, Harvard Medical School; (b) Peking Union Medical College; and (c) The Chinese University of Hong Kong. Results demonstrated that the Group’s product induced several kinds of innate immune cells in the blood samples of healthy individuals to secrete 4 to 17.6 times more TNF-alpha, while in mice trials, results showed the phagocytic index of macrophage and cytokine secretion increased fivefold and by up to 70% respectively.

(ii) Cancer Research

In vitro and *in vivo* studies were conducted in partnership with The Chinese Academy of Medical Sciences Cancer Institute and Hospital, The Chinese University of Hong Kong and The University of Hong Kong. The results showed that the Group’s product has particular inhibitory effects on primary breast and bladder cancer cells, while similar effects on gastric and colon cancer cells were also noted. The product under trial was found to be able to reduce the volume and weight of tumours in nude mice injected with human hepatoma cells by 65% and 84% respectively; and the volume of an implanted gastric tumour in nude mice was also reduced by 56%. In an application research conducted through the Cancer Research Foundation, China, the Group’s products were prescribed as nutraceuticals to breast and ovarian cancer patients who have received radiotherapy and chemotherapy treatment. The result indicated that the patients’ quality of life greatly improved, while there were cases which showed the number of white blood cells and immune cells increased and the marker level and size of tumours decreased.

(iii) AIDS Research

An *in vitro* study was conducted by the Partners AIDS Research Center at Massachusetts General Hospital, Harvard Medical School. The study showed that the Group’s product induced several kinds of innate immune cells in the blood samples of AIDS patients to secrete 2 to 53 times more TNF-alpha. The Group’s product was prescribed as a nutraceutical to AIDS patients in an application research conducted by the Peking Union Medical College Hospital and Beijing You An Hospital. Results have indicated the patients’ CD4 cell counts stabilized with a slight increase in some cases, and symptoms were alleviated, with their viral load stabilized and in some instances decreased.

(iv) Nasal Allergy Research

In an application research conducted together with Town Health International Holdings Company Limited, Hong Kong, “VitaGain™ Nasal Allergy Relief” – one of the Group’s nutraceutical products – was prescribed to nasal allergy patients. Overall, the results showed a 40% improvement in allergy symptoms, a marked decrease in IgE levels, with virtually no side effects.

(4) Further Strides in Patent Application

The Group has made further strides in its patent applications during the period under review as 5 patents were granted by the US Patent and Trademark Office. 4 nutraceutical products were granted patents; their functions are to regulate male hormone, regulate kidney and liver function, and improve memory respectively. The other was for an eco-fertilizer composition comprising cattle manure.

The Group possesses a large number of innovations in a range of different industries, cumulating in a respectable patent portfolio. The Group currently holds 16 patents and 2 notices of allowances, with 51 patents pending across a breadth of categories, from eco-agriculture, bioremediation products to nutraceuticals and pharmaceuticals.

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

	Eco-agriculture		Bio-remediation	Nutra-ceuticals	Pharma-ceuticals	Dermato-logicals	Total
	Eco-fertilizer	Animal Feed Additive					
Patent Granted	5	-	5	6	-	-	16
Notice of Allowance Received	1	-	-	1	-	-	2
Patent Pending	-	14	3	3	31	-	51
Drafting Stage	4	4	7	-	19	5	39
Total	10	18	15	10	50	5	108

Forging into a Promising Future

With its impressive business developments in the first half of the year, the Group will continue to pursue its three-pronged strategy for continued growth.

(1) Continue Acquisition Efforts

The Group intends to continue investing in businesses which have synergies with existing operations. At present, the Group is actively pursuing possible acquisition targets in Australia, China, North America and Europe and is gradually evolving into an integrated multi-national biotechnology corporation.

(2) Accelerate Expansion of Sales and Distribution Network

With well-received environmental and health-related products in the market, the Group will continue to launch new products in these two arenas. The Group will penetrate further into existing markets and expand geographically. In Australia, the Group is actively consolidating and realizing the synergies of its newly acquired fertilizer companies. It is anticipated that these new member companies will make meaningful contributions to the Group's performance in the second half of the year.

(3) Intensify Pace of Research

As the Group's preliminary research results are very promising and the market is in dire need of the products being studied, one of CK Life Sciences' major strategies is to intensify the pace of research. The global cancer research programme intended to cover 6 countries in 4 continents will be accelerated. Plans are being made to conduct pre-clinical and clinical studies on the Group's 18 cancer products in different parts of the world. More AIDS and immuno-enhancing researches will also be carried out in addition to the increase of application studies on the Group's nutraceuticals.

Acknowledgements

Ever since listing, the Group has progressed along its roadmap for growth, reaching encouraging milestones and making satisfactory progress. This success would not have been possible without the dedicated and concerted efforts of all our staff and management, as well as the unrelenting support of our business partners. The world of biotechnology advances at a tremendous pace, and is an industry with immense opportunities. The Directors on the Board firmly believe that the Group's prevailing innovative spirit and perseverance, along with its substantial financial resources, will stand us in good stead in shaping a bright and prosperous future.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 5 August, 2004

FINANCIAL REVIEW

Financial resources, liquidity and treasury policies

In the first half of 2004, the Group financed its operations mainly with its operating revenue, balance of proceeds from initial public offering and banking facilities.

As at 30 June 2004, the total non-current assets amounted to about HK\$2,497,829,000 and total current assets were about HK\$487,966,000, a decrease of about 0.7% and an increase of 42% respectively as compared to the same in the corresponding period last year. The total cash and bank balances were HK\$241,716,000. A sum of HK\$21,494,000 was deployed to fund the research and development activities of the Group during the period.

As one of the newly-acquired subsidiary companies maintains a long-term bank loan ("the Loan"), the non-current liabilities of the Group increased from zero in 2003 to about HK\$53,926,000 at the end of the period under review. The Loan is secured on all the assets of the subsidiary company. The current liabilities of the Group also increased from HK\$46,292,000 to HK\$57,763,000 when comparing the same period in the two years and comprised mainly the non-trade creditors. The shareholders' equity amounted to HK\$2,802,084,000 and the net asset value per share was HK\$0.44. The gearing ratio of the Group, which is net borrowings over shareholders' funds, was 0.02.

Same as the previous years, the Group continued to invest its surplus funds in financial instruments such as bonds and notes in order to generate higher return to fund its research and development activities as well as operations. The total investments in financial instruments were about HK\$2,067,626,000, from which an investment income of about HK\$100,180,000 was generated.

The foreign currency exposure on the Group continued to be insignificant as most of the income and expenditure of the Group were denominated in either Hong Kong dollars or U.S. dollars. In addition, the Group's policy is for each operating entity to borrow in local currency, where possible, in order to minimize currency risk. In view of such low exposure, the Group did not adopt any financial instruments to hedge against its currency risks.

Material acquisition/disposals and significant investment

A circular was dispatched by the Company to its shareholders in early July 2004 regarding the Group's acquisition of an Australian fertilizer company for a consideration of A\$4,000,000 which constitutes a major transaction under the GEM Listing Rules. Other than this, the Group did not have any material acquisition or disposal during the period which would have been required to be disclosed as notifiable transaction under the GEM Listing Rules.

Segment information

The principal activities of the Company are investment holdings which include investments directly or indirectly via its subsidiary or associated companies in research and development, commercialization, marketing and sale of biotechnology products as well as various financial and investment products. There were no changes in the nature of the Group's principal activities during the period.

To better reflect the Group's activities, the business has been re-grouped into three segments: Environment, Health and Investment. The products of the Group have been consolidated into Environment and Health while the income from investments in securities has been included as the Group's turnover. Details of the re-grouping are as follows:

- Environment: eco-agricultural and bioremediation products
- Health: nutraceutical, pharmaceutical and dermatological products
- Investment: financial and securities instruments/products

The segment information for the first six months of 2004 is shown under the turnover and segment information section of the notes to the financial statements.

Capital commitments and future plans for material investments or capital assets

In the first half of 2004, the total capital commitments by the Group amounted to approximately HK\$28,400,000. These were mainly made up of contracted commitments in respect of the acquisition of laboratory instrument, plant and equipment.

Information on employees

At the end of June 2004, the total number of staff was 355 with the majority stationed in Hong Kong, followed by China, Australia and Indonesia. The total staff costs, including directors' emoluments, amounted to approximately HK\$61,616,000 for the period under review.

The Group's remuneration policies are in line with the market trend and commensurate to the level of pay in the industry. Discretionary bonus was paid to employees based on individual performance. Other benefits to the employees include provident fund, medical plan, share option scheme and training programs.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2004 (2003: Nil).

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress made in comparison with the business objectives as per the prospectus of the Company dated 4 July 2002 (the “Prospectus”) for the period from 1 January 2004 to 30 June 2004.

Business objectives as set out in the Prospectus	Actual Business Progress
Product Objectives	
<p><i>Eco-agriculture -- Fertilizer</i></p> <ul style="list-style-type: none"> ● Begin sales in Europe and rest of Asia ● Complete field trials on alternative formulations 	<ul style="list-style-type: none"> ● In discussion with distributors in Europe; selling to most of Asia begun ● Field trials of one of the alternative formulations completed ● Research and development of other formulations continuing
<p><i>Eco-agriculture -- Animal feed additives</i></p> <ul style="list-style-type: none"> ● Begin pre-sale trials in Canada or the United States ● Identify and commence negotiations with strategic partners in North America 	<ul style="list-style-type: none"> ● First round of trials in Asia completed; planning on next phase of trials underway ● Pending planning on second phase of trials in Asia
<p><i>Bioremediation</i></p> <ul style="list-style-type: none"> ● Market research on and preparation for launch in UK and the Netherlands ● Begin sales in UK and the Netherlands ● Begin marketing of new wastewater treatment system design to strategic partners 	<ul style="list-style-type: none"> ● Market research into Europe continuing ● Pending market research result and development of business plan ● Marketing of new wastewater treatment system design begun in Australia

<p><i>Pharmaceuticals</i></p> <ul style="list-style-type: none"> ● Continue Phase II clinical trials in selected countries ● Review preliminary data from Phase II clinical trials ● Continue product research and development 	<ul style="list-style-type: none"> ● Phase II clinical trials in progress in Australia and Hong Kong ● Studies in progress ● Research and development continuing
<p><i>Nutraceuticals</i></p> <ul style="list-style-type: none"> ● Begin sales in North America ● Market research on and preparation for sales in selected European markets 	<ul style="list-style-type: none"> ● Preparations underway for entering North American market ● Market research continuing for sales in Europe
<p><i>Dermatologicals</i></p> <ul style="list-style-type: none"> ● Sales in Hong Kong and China ● Market research and preparation for sales in Malaysia and Thailand 	<ul style="list-style-type: none"> ● Product research and development continuing ● Market research and preparation underway
<p>Production Facilities and Human Resources</p>	
<ul style="list-style-type: none"> ● Large scale local manufacturing of NurtiSmart™ begins ● Preparing to obtain ISO 9000 accreditation for the Group's manufacturing and laboratory processes 	<ul style="list-style-type: none"> ● Finalising arrangements for local manufacturing in Australia ● ISO 9000 accreditation for laboratory processes underway

USE OF PROCEEDS

In the first half of year 2004, the Group applied approximately HK\$104 million for its business expansion and research and development activities. Details of the fund application were as follows:

- Research and development
 - Approximately HK\$20 million for core research and development activities
 - Approximately HK\$15 million for clinical trials on pharmaceuticals
 - Approximately HK\$2 million for patent applications
- Approximately HK\$19 million for expansion of manufacturing and research and development facilities
- Approximately HK\$48 million for market development, brand building, sales and marketing

The above application of proceeds was in line with the business objectives as stated in the Prospectus of the Company; however, there were some variances on the actual amount spent as compared to those projected in the Prospectus due to the following reasons:

- Reschedule of the plans for research & development activities as well as manufacturing and research & development facilities to meet with the latest development in the market
- effective and efficient cost control measures
- timing differences in the fund application

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		(unaudited) 2004	(unaudited) 2003	(unaudited) 2004	(unaudited) 2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	80,605	56,750	147,743	114,003
Cost of inventories sold		(23,650)	(3,847)	(38,683)	(7,729)
Other income		4,200	188	4,287	217
Staff cost	3	(24,146)	(22,222)	(50,398)	(48,306)
Depreciation		(6,740)	(4,909)	(11,985)	(9,938)
Amortization of intangible assets		(1,268)	(699)	(2,079)	(1,389)
Operating expenses		(27,784)	(25,104)	(47,258)	(46,498)
Profit from operations		1,217	157	1,627	360
Finance costs		(1,159)	-	(1,159)	-
Share of results of associates		47	53	48	38
Profit before taxation		105	210	516	398
Taxation	4	-	-	-	-
Profit after taxation		105	210	516	398
Minority interests		361	41	322	80
Profit attributable to shareholders		466	251	838	478
Earnings per share	5				
- basic (Hong Kong cents)		0.007	0.0039	0.013	0.0075
- diluted (Hong Kong cents)		N/A	0.0039	0.013	0.0075

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2004 (unaudited) HK\$'000	As at 31 December 2003 (audited) HK\$'000
	Notes		
Non-current assets			
Fixed assets	7	262,242	184,884
Intangible assets	8	170,941	102,324
Investments in associates		25,606	32,975
Investments in securities		1,813,024	1,955,161
Other investments		226,016	240,553
		2,497,829	2,515,897
Current assets			
Other investments		28,586	27,763
Inventories		19,459	10,105
Receivables and prepayments	9	198,205	65,706
Bank balances and cash		241,716	240,258
		487,966	343,832
Current liabilities			
Payables and accruals	9	(56,359)	(46,292)
Bank loan	10	(1,404)	-
		(57,763)	(46,292)
Net current assets		430,203	297,540
Total assets less current liabilities		2,928,032	2,813,437
Non-current liabilities			
Bank loan	10	(53,926)	-
Minority interests		(72,022)	(121)
Total net assets		2,802,084	2,813,316
Capital and reserves			
Share capital	11	640,738	640,703
Share premium and reserves	12	2,161,346	2,172,613
Total shareholders' equity		2,802,084	2,813,316

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended	
	30 June	
	(unaudited) 2004	(unaudited) 2003
	HK\$'000	HK\$'000
Total shareholders' funds at 1 January	2,813,316	2,794,084
Net profit for the period	838	478
Items recognized in reserves:		
- Surplus on revaluation of investments in securities	35,823	54,892
- Exchange difference on translation of financial statements of overseas operations	613	141
Issue of shares on exercise of share options	513	-
Realized on disposal/redemption of investments in securities	(49,019)	(9,238)
Total shareholders' funds at 30 June	2,802,084	2,840,357

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 June	
	(unaudited) 2004	(unaudited) 2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(177,187)	(79,925)
Net cash inflow from investing activities	134,313	65,455
Net cash inflow from financing	44,332	-
Increase/(decrease) in cash and cash equivalents	1,458	(14,470)
Cash and cash equivalents at beginning of the period	240,258	270,721
Cash and cash equivalents at end of the period	241,716	256,251

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the GEM Listing Rules. They have also been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and investments in securities.

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 2003.

2. Turnover and segment information

Turnover represents net invoiced value of goods sold, after allowance for returns and trade discount as well as income from investment in securities.

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

A. Segment turnover

An analysis of the business segment turnover is as follows:

	For the six months ended	
	2004	2003
	HK\$’000	HK\$’000
Environment	45,215	10,766
Health	2,348	1,255
Investment	100,180	101,982
	147,743	114,003

B. Segment results

An analysis of the business segment results is as follows:

	Consolidated	
	For the six months ended	
	2004	2003
	HK\$'000	HK\$'000
Environment	(21,018)	(20,472)
Health	(9,615)	(9,363)
Investment	100,180	101,982
	69,547	72,147
Other income	4,287	217
Business development expenditure	(20,449)	(20,279)
Research and development expenditure	(13,542)	(14,133)
Corporate expenses	(38,216)	(37,592)
	1,627	360
Profit from operation	1,627	360
Finance costs	(1,159)	-
Share of results of associates	48	38
Profit before taxation	516	398
Taxation	-	-
Profit after taxation	516	398
Minority interests	322	80
Profit attributable to shareholders	838	478

3. Staff cost

Staff costs which include salaries, bonuses, retirement benefit scheme contribution and recruitment costs for the three months and six months ended 30 June 2004 respectively amounted to HK\$29,600,000 (2003: HK\$28,104,000) and HK\$61,616,000 (2003: HK\$57,312,000) of which HK\$5,454,000(2003: HK\$5,882,000) and HK\$11,218,000 (2003: HK\$9,006,000) relating to development activities were capitalized.

4. Taxation

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 2004 as well as the corresponding last periods.

No deferred tax assets has been recognized in respect of the tax losses as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized.

5. 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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period				
Profit for calculating basic and diluted earnings per share	466	251	838	478
Number of shares				
Weighted average number of ordinary shares used in the calculation of basic earnings per share	6,407,381,600	6,407,000,000	6,407,251,142	6,407,000,000
Effect of dilutive potential ordinary shares	N/A	523,561	1,111,944	533,890
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	N/A	6,407,523,561	6,408,363,086	6,407,533,890

No diluted earnings per share is presented for the three months ended 30 June 2004 as there were no dilutive potential ordinary shares outstanding during the period.

6. Dividend

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2004 (2003: Nil).

7. 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
Cost or valuation				
At 1 January 2004	115,000	81,031	40,788	236,819
Additions	-	10,102	6,243	16,345
Acquisition of subsidiaries	-	75,559	650	76,209
At 30 June 2004	115,000	166,692	47,681	329,373
Accumulated depreciation				
At 1 January 2004	2,584	29,299	20,052	51,935
Provided for the period	1,292	9,672	4,232	15,196
At 30 June 2004	3,876	38,971	24,284	67,131
Net book value				
At 30 June 2004	111,124	127,721	23,397	262,242
At 31 December 2003	112,416	51,732	20,736	184,884

8. Intangible assets

	Development costs	Patents	Goodwill	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 January 2004	95,389	10,471	-	105,860
Additions	22,821	1,593	-	24,414
Acquisition of subsidiaries	-	-	46,282	46,282
At 30 June 2004	118,210	12,064	46,282	176,556
Amortization				
At 1 January 2004	3,059	477	-	3,536
Provided for the period	1,241	169	669	2,079
At 30 June 2004	4,300	646	669	5,615
Net book value				
At 30 June 2004	113,910	11,418	45,613	170,941
At 31 December 2003	92,330	9,994	-	102,324

9. 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 2004	As at 31 December 2003
	HK\$'000	HK\$'000
<u>Trade debtors</u>		
0 - 90 days	33,399	9,991
>90 days	277	58
	<u>33,676</u>	<u>10,049</u>
<u>Trade creditors</u>		
0 - 90 days	22,300	4,653
>90 days	-	-
	<u>22,300</u>	<u>4,653</u>

10. Bank loan

The bank loan is secured by a fixed and floating charge over the assets of one of the subsidiary companies.

11. Share capital

	Number of shares of HK\$ 0.10 each	Nominal value
	'000	HK\$'000
<u>Authorized</u>		
At 31 December 2003 and 30 June 2004	<u>15,000,000</u>	<u>1,500,000</u>
<u>Issued and fully paid</u>		
At 1 January 2004	6,407,030	640,703
Shares issued on exercise of share options	352	35
At 30 June 2004	<u>6,407,382</u>	<u>640,738</u>

12. Share premium and reserves

	Share premium	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total 2004	Total 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	2,391,707	63,948	350	(283,392)	2,172,613	2,153,384
Shares issued on exercise of share options	478	-	-	-	478	-
Realized on disposal/redemption of investments in securities	-	(49,019)	-	-	(49,019)	(9,238)
Surplus on revaluation of investments in securities	-	35,823	-	-	35,823	54,892
Exchange difference on translation of financial statements of overseas operations	-	-	613	-	613	141
Profit for the period	-	-	-	838	838	478
At 30 June	<u>2,392,185</u>	<u>50,752</u>	<u>963</u>	<u>(282,554)</u>	<u>2,161,346</u>	<u>2,199,657</u>

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

As at 30 June 2004, 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	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:

- Such 2,820,008,571 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 2,820,008,571 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.
3. Such shares are held by a company wholly-owned by Mr. Kwan Chiu Yin, Robert.

(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 2004 were as follows:

Name of Director	Date of grant	Number of share options				Outstanding as at 30 June 2004	Option period	Subscription price per share HK\$
		Outstanding as at 1 January 2004	Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Yu Ying Choi, Alan Abel	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	-	-	-	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	-	690,000	-	-	690,000	19/1/2005 - 18/1/2014	1.762
Pang Shiu Fun	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	-	-	-	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	-	690,000	-	-	690,000	19/1/2005 - 18/1/2014	1.762
Chu Kee Hung	30/9/2002	310,000	-	-	-	310,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	690,000	-	-	-	690,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	-	690,000	-	-	690,000	19/1/2005 - 18/1/2014	1.762
Lam Hing Chau, Leon	30/9/2002	222,000	-	-	-	222,000	30/9/2003 - 29/9/2012	1.598
	27/1/2003	480,000	-	-	-	480,000	27/1/2004 - 26/1/2013	1.446
	19/1/2004	-	480,000	-	-	480,000	19/1/2005 - 18/1/2014	1.762

Save as disclosed above, during the six months ended 30 June 2004, 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 2004, 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 2004, options to subscribe for an aggregate of 22,417,100 shares of the Company 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 30 June 2004	Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
30/9/2002	3,952,000	-	34,500 (Note 1)	52,700	-	3,864,800	30/9/2003 - 29/9/2012 (Note 2)	1.598
27/1/2003	9,146,000	-	317,100 (Note 1)	202,600	-	8,626,300	27/1/2004 - 26/1/2013 (Note 3)	1.446
19/1/2004	-	10,160,000	-	234,000	-	9,926,000	19/1/2005 - 18/1/2014 (Note 4)	1.762 (Note 5)

Details of the share options granted to Mr. Cheung Ling Yuk, Larry, a management shareholder of the Company, pursuant to the Share Option Scheme as at 30 June 2004 were as follows:

Date of grant	Number of share options					Outstanding as at 30 June 2004	Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
30/9/2002	316,000	-	-	-	-	316,000	30/9/2003 - 29/9/2012 (Note 2)	1.598
27/1/2003	580,000	-	-	-	-	580,000	27/1/2004 - 26/1/2013 (Note 3)	1.446
19/1/2004	-	580,000	-	-	-	580,000	19/1/2005 - 18/1/2014 (Note 4)	1.762 (Note 5)

Notes:

1. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised is HK\$1.764.

2. 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.
3. 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.
4. 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.
5. The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$1.77.

The Directors are of the view that the calculation of the value of share options granted by the Company during the period depends on a number of variables, which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. As such, the value of share options is not presented in this announcement.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2004, 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	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 of the Company

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 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 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 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.
- 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".

Save as disclosed above, as at 30 June 2004, 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 2004, 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 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 Cheung Kong (Holdings) Limited 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 Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited.

Both Cheung Kong (Holdings) Limited 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 of the Company or their respective Associates have any interests in a business which competes or may compete with the businesses of the Group.

SPONSOR'S INTERESTS

Pursuant to a sponsor's agreement dated 3 July 2002 between the Company and Citigroup Global Markets Asia Limited ("Citigroup"), Citigroup has been appointed as a sponsor to the Company as required under the GEM Listing Rules at a fee from 16 July 2002 to 31 December 2004.

As notified to the Company by Citigroup, as at 30 June 2004, neither Citigroup, its directors, employees nor their associates had any interests in any securities of the Company or any of its associated corporations.

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

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

With the exception that the Non-executive Directors have no set term of office but retire from office on a rotational basis, the Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the accounting period covered by this announcement.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code on securities transactions by directors set out in Chapter 5 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions effective 31 March 2004. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code for the period ended 30 June 2004.

AUDIT COMMITTEE

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 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.

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 has already reviewed the Group's unaudited results for the six months ended 30 June 2004.

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

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