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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)

CONTINUING CONNECTED TRANSACTIONS

This announcement relates to ongoing connected transactions between the Group and the Red Sun Group relating to sales of fertilizers by members of the Group to members of the Red Sun Group.

KP, a subsidiary of the Company, has been selling fertilizers to LZSM since February 2004. Red Sun is a substantial shareholder of KP and is therefore a connected person of the Company under the GEM Listing Rules. As LZSM is a subsidiary of Red Sun, LZSM is also a connected person of the Company under the GEM Listing Rules.

KP had also sold fertilizers to JSL since March 2004. In April 2004 JSL became a subsidiary of Red Sun, when Intermediate holding company 1 and Intermediate holding company 2 (referred to in the chart below) respectively acquired 38% and 13% interest in JSL, and since then JSL also became a connected person of the Company under the GEM Listing Rules.

The aggregate value of sales by KP to LZSM from February 2004 to the date of this announcement and to JSL from April 2004 to the date of this announcement amounted to RMB41,181,000 (approximately HK\$38,710,140).

On 20 September 2004, the Company entered into a framework agreement with Red Sun to regulate future sales of fertilizers by members of the Group to members of the Red Sun Group. The Board anticipates that the aggregate annual value of sales of fertilizers by members of the Group to members of the Red Sun Group as governed by the Framework Agreement for subsequent years will be of an amount exceeding the threshold under Rule 20.34 of the GEM Listing Rules and will be subject to the disclosure requirement and independent Shareholders' approval under the GEM Listing Rules.

The Framework Agreement is on normal arm's length commercial terms and contains terms similar to those contained in the supply agreements between the Company and each of CKH and HIL as announced by the Company on 29 August 2003, and which were approved by the independent Shareholders at an extraordinary general meeting of the Company held on 26 September 2003. For the reasons set out in this announcement, the Company has obtained a written certificate of approval from a closely allied group of Shareholders relating to the transaction contemplated under the Framework Agreement. Accordingly, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 20.43 of the GEM Listing Rules, no extraordinary general meeting is required to be held to consider the sales of fertilizers by members of the Group to members of the Red Sun Group.

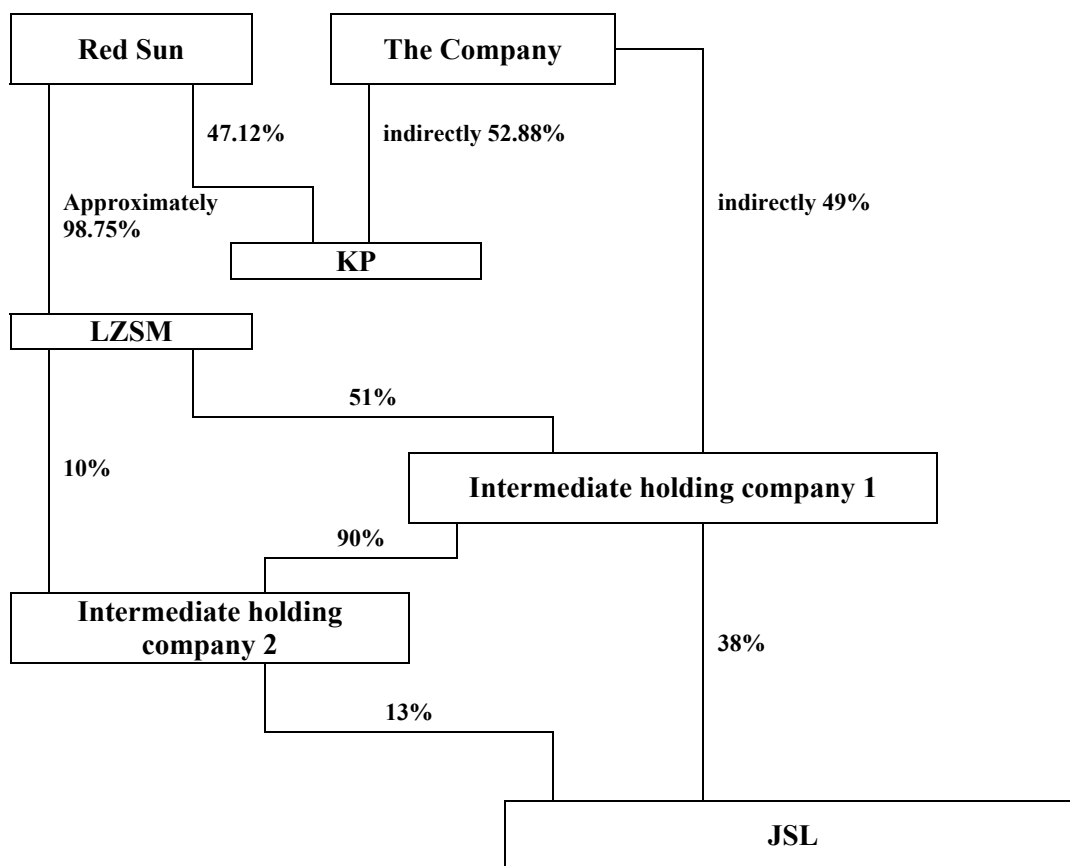
A circular containing information relating to the sales of fertilizers by members of the Group to members of the Red Sun Group, a letter from the independent board committee consisting of the Independent Directors and a letter from an independent financial adviser will be despatched to the Shareholders for information purpose as soon as possible.

BACKGROUND

The Company is indirectly holding a 52.88% equity interest in KP. Red Sun is a substantial shareholder of KP by virtue of its 47.12% equity interest in KP and is therefore a connected person of the Company under the GEM Listing Rules. LZSM is a subsidiary of Red Sun and hence, LZSM is also a connected person of the Company under the GEM Listing Rules.

In April 2004, JSL became a subsidiary of Red Sun when Intermediate holding company 1 (which is a subsidiary of LZSM) and Intermediate holding company 2 referred to in the chart below respectively acquired 38% and 13% interest in JSL and since then, JSL also became a connected person of the Company under the GEM Listing Rules.

The following is a chart showing the relationship of each of the Company, Red Sun, KP, LZSM and JSL:



To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Red Sun Group has no shareholding interest in the Company.

KP has only started to sell fertilizers to LZSM since February 2004 and to JSL since March 2004. The aggregate value of sales to LZSM from February 2004 to the date of this announcement and to JSL from April 2004 to the date of this announcement amounted to RMB41,181,000 (approximately HK\$38,710,140) which should have been subject to the disclosure requirement and independent Shareholders' approval under Rule 20.18 of the GEM Listing Rules. Prior to the establishment of KP in early 2004, the sales of fertilizers to the Red Sun Group were carried out through an Associate of the Company in which the Company only holds 40% equity interest. It was only after KP took up the role as vendor in the sales of fertilizers to the Red Sun Group in February 2004 that connected transactions implications arose and this was only revealed upon recent review of the Company's group structure. The disclosure and independent Shareholders' approval requirements as aforesaid had not been

complied with and the Stock Exchange has reserved its rights to take action. This was however not intentional and resulted from inadvertent oversight because the officers handling the transactions were not familiar with the GEM Listing Rules and did not realize that a limited company with a net asset value of approximately HK\$2.8 billion would be subject to a threshold of a few million dollars for regulatory purpose and that the change in the selling vehicle would have any significance for the Company. The management of the Company immediately took legal advice and remedied the matter by making this announcement and complied with the applicable regulatory requirements. In addition, as stated under the section entitled “Reasons For Obtaining Written Certificate Of Approval From A Closely Allied Group Of Shareholders In Lieu Of Seeking Independent Shareholders’ Approval At An Extraordinary General Meeting Of The Company” below:-

- (i) both the Company and Red Sun hold substantial interests in KP and in addition, the Company also has an indirect interest in JSL. There is accordingly no question of the Company or Red Sun benefiting from the other party as a result of any sale and purchase of fertilizers between the Group and the Red Sun Group whatever the price level will be, which will be negotiated by the parties on an arm’s length basis;
- (ii) the sales of fertilizers to members of the Red Sun Group were initially made by an Associate of the Company and were therefore not connected transactions for the Company, which only became so when the selling vehicle was changed to KP; and
- (iii) the transactions between the Company and JSL were initially also not connected transactions for the Company and only became so when in April 2004, Intermediate holding company 1 and Intermediate holding company 2 referred to in the chart above acquired a total of 51% interest in JSL, with the result that JSL became a subsidiary of Red Sun and hence, a connected person of the Company.

The sales to both LZSM and JSL were entered into in the ordinary and usual course of business of the Group on normal commercial terms based on arm's length negotiation. On 20 September 2004, the Company entered into a framework agreement with Red Sun to regulate future sales of fertilizers by members of the Group to members of the Red Sun Group. The Board anticipates that the aggregate annual value of sales of fertilizers by members of the Group to members of the Red Sun Group as governed by the Framework Agreement for subsequent years will be of an amount exceeding the threshold under Rule 20.34 of the GEM Listing Rules and will be subject to the disclosure requirement and independent Shareholders’ approval.

REASONS FOR OBTAINING WRITTEN CERTIFICATE OF APPROVAL FROM A CLOSELY ALLIED GROUP OF SHAREHOLDERS IN LIEU OF SEEKING INDEPENDENT SHAREHOLDERS' APPROVAL AT AN EXTRAORDINARY GENERAL MEETING OF THE COMPANY

The Company has obtained a written certificate from a closely allied group of Shareholders relating to the transactions contemplated under the Framework Agreement, in lieu of seeking independent Shareholders' approval at an extraordinary general meeting which would otherwise be required under the GEM Listing Rules, for the following reasons:

- (i) as shown in the chart above, both the Company and Red Sun hold substantial interests in KP and in addition, the Company also has an indirect interest in JSL. There is accordingly no question of the Company or Red Sun benefiting from the other party as a result of any sale and purchase of fertilizers between the Group and the Red Sun Group whatever the price level will be, which will be negotiated between the parties on an arm's length basis. In so far as the transactions with JSL is concerned, not only Red Sun but also the Company will benefit from the purchase and resale of fertilizers by JSL, given the Company's interest in JSL;
- (ii) the terms of the Framework Agreement are similar to the terms of the supply agreements made between the Company and each of CKH and HIL, which were approved by the independent Shareholders at an extraordinary general meeting of the Company held on 26 September 2003;
- (iii) the sales of fertilizers to members of the Red Sun Group were initially made by an Associate of the Company and were therefore not connected transactions for the Company, which only became so when the selling vehicle was changed to KP;
- (iv) the transactions between the Company and JSL were initially also not connected transactions for the Company and only became so when in April 2004, Intermediate holding company 1 and Intermediate holding company 2 referred to in the chart above acquired a total of 51% interest in JSL, with the result that JSL became a subsidiary of Red Sun and hence, a connected person of the Company;
- (v) the sales of fertilizers are merely technical connected transactions, as Red Sun is a substantial shareholder of KP and no Shareholder is required to abstain from voting on the relevant resolution should an extraordinary general meeting be held to approve the Framework Agreement; and

- (vi) it will not be in the interest of the Company nor the Shareholders as a whole to hold an extraordinary general meeting in order to approve the Framework Agreement in terms of cost, time and the management resources involved.

On 20 September 2004, the Company received a written approval on the sales of fertilizers by members of the Group to members of the Red Sun Group pursuant to the Framework Agreement from a closely allied group of Shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited which have no interests in the sales of fertilizers to members of the Red Sun Group other than through their equity interests in the Company. The shareholding interests of Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited in the Company are 2,820,008,571 Shares (representing approximately 44.01%), 1,410,004,286 Shares (representing approximately 22.01%) and 470,001,429 Shares (representing approximately 7.34%) respectively. Gold Rainbow Int'l Limited is an indirect wholly-owned subsidiary of CKH. Trueway International Limited and Triluck Assets Limited are both indirectly wholly-owned by Mr. Li Ka-shing who is the Chairman of CKH. No Shareholder is required to abstain from voting on the relevant resolution should an extraordinary general meeting be held. Accordingly, the Company has applied to the Stock Exchange for a waiver that no extraordinary general meeting is required to be held to consider the sales of fertilizers by members of the Group to members of the Red Sun Group pursuant to Rule 20.43 of the GEM Listing Rules.

The Company will comply with the provisions, and in particular, provisions governing continuing connected transactions, of Chapter 20 of the GEM Listing Rules in relation to the sales of fertilizers to members of the Red Sun Group pursuant to the Framework Agreement.

FRAMEWORK AGREEMENT DATED 20 SEPTEMBER 2004

Parties to the Framework Agreement:

- (i) the Company, being the seller
- (ii) Red Sun, being the buyer

Terms of the Framework Agreement

KP sold fertilizers to each of LZSM and JSL respectively by entering into individual sales contracts. The sales prices are determined based on arm's length negotiation and with reference to the prevailing market prices. Under the Framework Agreement, the Company has agreed to sell, and/or procure members of the Group to sell, fertilizers to members of the Red

Sun Group by entering into individual sales contracts. The sales price will be determined based on arm's length negotiation and with reference to the prevailing market prices.

The Framework Agreement shall be deemed to have commenced on 17 January 2004 and will expire on 31 December 2006. Upon expiry of the Framework Agreement, the parties will, subject to the conditions prevailing at that time, consider renewing the Framework Agreement or entering into a new agreement, and will, if appropriate, use their best efforts to renew the Framework Agreement or enter into a new agreement with each other on terms to be mutually agreed, subject to compliance with all applicable laws and regulatory rules.

REASONS FOR THE TRANSACTIONS

The sales of fertilizers pursuant to the said sale contracts have been part of the normal commercial activities of the Group. The transactions are also normal business activities of the relevant members of the Red Sun Group which are distributors or retailers of agricultural products, including fertilizers. With the co-operation between the Group and the Red Sun Group, the Group could sell or distribute its fertilizer products through the extensive business operations and networks of the Red Sun Group in Mainland China.

The Directors, including the Independent Directors whose view is subject to the advice to be provided by an independent financial adviser, consider that the Framework Agreement is on normal commercial terms and on terms no less favourable than those available from independent third parties who are not connected persons of the Group as defined in the GEM Listing Rules. The sales of fertilizers to members of the Red Sun Group are beneficial to the business and the profitability of the Group. Therefore, the Directors consider it to be in the interest of the Group to engage in such transactions.

CAP AMOUNTS FOR THE SALES OF FERTILIZERS TO THE RED SUN GROUP

Based on the projections for the three years ending 31 December 2006, the respective proposed caps for the sales of fertilizers pursuant to the Framework Agreement are as follows:

	For the year ending 31 December 2004	For the year ending 31 December 2005	For the year ending 31 December 2006
Caps:	HK\$79,000,000	HK\$270,000,000	HK\$431,000,000

The cap amounts mentioned above are determined by reference to, among other matters, the recent sales of fertilizers to LZSM and JSL, the current sales contracts on hand and projections provided by management of KP. In determining the projections, the management of KP has taken into account the following factors which are expected to result in the projected increase of sales for the year 2005:

- (a) expected expansion in the range of fertilizers available in order to increase appeal to different market segments which will result in a substantial increase in market demand for the fertilizers through the Red Sun Group;
- (b) the management of the Group is expecting an expansion in the number of distribution outlets for the fertilizers as a result of the implementation of advertising and promotional programs, which will in turn attract more dealers and retailers to participate in selling the fertilizers;
- (c) the Group's own production lines will commence operation in early 2005 which can meet the increasing demand for the fertilizers from the Red Sun Group;
- (d) the Group's logistic arrangement will be more organized and efficient to achieve higher sales volume to the Red Sun Group to meet increasing demand for the fertilizers; and
- (e) the support and sales capacity for the Group's products by the Red Sun Group are expected to increase through increased product application training and advertising and promotional programs.

The management of KP also expects that in the year 2006, the expansion in the range of fertilizers available, the increase in product application training and advertising and promotional programs and brand awareness will continue and that production capacity in respect of the fertilizers will increase.

GENERAL

The business operations of the Group primarily include, inter alia, research and development, commercialization, marketing and sale of biotechnology products as well as investments in financial instruments/products. The Group is engaged in identifying needs and developing revolutionary biotechnology solutions for the improvement of human health and environmental sustainability. The Group also focuses on development of patent-protected products which provide new and improved solutions in sustainable land and water use,

disease prevention and treatment, nutritional balance and skin care. Its work primarily involves the application of scientifically advanced methods and processes by which selected microbes, particularly yeasts with undiscovered potential are activated and acclimatized to perform specific functions in either the human body or the natural environment.

The business operations of KP are manufacturing and selling of fertilizers.

The business operations of the Red Sun Group are trading, distributing and retailing of agricultural products, including fertilizers. The business operations of both LZSM and JSL are retailing and distributing fertilizers.

A circular containing information relating to the sales of fertilizers to members of the Red Sun Group, a letter from the independent board committee consisting of the Independent Directors and a letter from an independent financial adviser will be despatched to the Shareholders for information purpose as soon as possible.

DEFINITIONS

“Associate(s)”	all those persons and companies as specified under Rule 1.01 of the GEM Listing Rules
“Board”	the board of Directors
“CKH”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. Cheung Kong (Holdings) Limited is an indirect substantial shareholder of the Company
“Company”	CK Life Sciences Int’l. (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
“Directors”	the directors of the Company
“Framework Agreement”	a framework agreement dated 20 September 2004 between the Company and Red Sun regarding sale of fertilizers
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HIL”	Hutchison International Limited, a wholly-owned subsidiary of HWL

“HK\$”	the lawful currency of the Hong Kong Special Administrative Region of PRC
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Independent Directors”	the independent non-executive directors of the Company from time to time
“Intermediate holding company 1”	江蘇振邦農作物科技有限公司 (Jiangsu Prosperous Union Crop Sciences Limited), a company incorporated in PRC
“Intermediate holding company 2”	南京振邦投資發展有限公司 (Nanjing Prosperous Union Crop Sciences Limited), a company incorporated in PRC
“JSL”	江蘇蘇農農資連鎖有限責任公司 (Jiangsu Su Nong Agricultural Means Chain Company Ltd), a company incorporated in the PRC
“KP”	江蘇科邦生態肥有限公司 (Jiangsu Technology Union Eco-fertilizer Limited), a company incorporated in PRC and a subsidiary of the Company
“LZSM”	南京紅太陽農資商貿連鎖有限公司 (Nanjing Red Sun Agricultural Means Trading Chain Company Ltd), a company incorporated in PRC
“PRC”	the People's Republic of China
“Red Sun”	南京紅太陽股份有限公司 (Nanjing Red Sun Stock Co Ltd), a company listed on the Shenzhen Stock Exchange
“Red Sun Group”	Red Sun, its subsidiary companies and its Associates
“RMB”	the lawful currency of PRC
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
CK Life Sciences Int’l., (Holdings) Inc.
Eirene Yeung
Company Secretary

Hong Kong, 20 September 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

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.