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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)

## **VERY SUBSTANTIAL ACQUISITION**

**in respect of**

**the acquisition of 80% of the entire issued common equity capital and**

**100% of the non-voting senior preferred equity capital of**

**Vitaquest International Holdings LLC**

The Board is pleased to announce that on 3 February 2006, the Vitaquest Agreement was entered into between the Purchaser, Vitaquest and the VQ Vendors, which are, and the ultimate beneficial owners of which are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules), whereby the VQ Vendors agreed to sell and the Purchaser agreed to purchase (or to procure another company within the Group to purchase) the entire issued share capital of MOP I Holdings and MOP II Holdings and such number of the membership interests of Vitaquest held by VQ Investments such that upon the VQ Completion, the Purchaser shall own, directly and indirectly (through MOP I Holdings and MOP II Holdings), common membership interests representing an 80% interest in the capital and profits of Vitaquest plus 100% of the Vitaquest Senior Preferred Interests.

The enterprise value of Vitaquest amounts to US\$345 million (approximately HK\$2,684.1 million). The VQ Purchase Price (subject to downward adjustment based on the working capital of Vitaquest as at VQ Completion in accordance with the formula as stipulated in the Vitaquest Agreement) is currently expected to be approximately US\$166 million (approximately HK\$1,291.5 million), being the aggregate purchase price for (a) 80% of the Common Interests of Vitaquest (including such Common Interests of Vitaquest held by the Liquidating Trust on behalf of the Optionholders following the cashless exercise of all the Options prior to VQ Completion), the aggregate purchase

price of which is currently expected to be approximately US\$144 million (approximately HK\$1,120.3 million); and (b) 100% of the Vitaquest Senior Preferred Interests, the aggregate purchase price of which is currently expected to be approximately US\$22 million (approximately HK\$171.2 million). In addition, Vitaquest has debts which are currently estimated to be in the amount of approximately US\$143.3 million (approximately HK\$1,114.9 million) and the Purchaser shall cause an equivalent amount to be funded to Vitaquest upon VQ Completion for repayment of such debts.

The transaction contemplated in the Vitaquest Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and accordingly, will be subject to the approval of the Shareholders at the EGM. On 3 February 2006, the Company received from a closely allied group of Shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolutions for approving the Vitaquest Agreement at the EGM. Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited together hold approximately 73.35% of the issued share capital of the Company and they have no interest in the Vitaquest Agreement or any transaction contemplated thereunder other than through their equity interest in the Company.

A circular containing, amongst other things, further information about the Vitaquest Acquisition, the financial information of the Group and Vitaquest and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

**As the transaction contemplated in the Vitaquest Agreement is subject to a number of conditions precedent, they may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **A. THE VITAQUEST AGREEMENT DATED 3 FEBRUARY 2006**

### **1. Parties**

- (i) the Purchaser, an indirect wholly-owned subsidiary of the Company;
- (ii) Vitaquest; and

- (iii) the VQ Vendors, which are, and the ultimate beneficial owners of which are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

## **2. Assets to be acquired**

- (i) To acquire from MOP I Partners the entire issued share capital of MOP I Holdings, the sole asset of which is its interest in 22.82% of the Common Interests of Vitaquest;
- (ii) To acquire from MOP II Partners, Steven Kotler and Steven Gilbert the entire issued share capital of MOP II Holdings, the sole asset of which is its interest in 37.18% of the Common Interests of Vitaquest;
- (iii) To acquire from the Liquidating Trust, on behalf of the Optionholders, 100% of the Common Interests of Vitaquest held by the Liquidating Trust immediately prior to the VQ Completion (which is expected to amount to approximately 7% of the Adjusted Fully-Diluted Interests);
- (iv) To acquire from VQ Investments such number of the Common Interests of Vitaquest equivalent to the difference between (i) 80% of the total number of Adjusted Fully-Diluted Interests; and (ii) the total number of Common Interests of Vitaquest owned by MOP I Holdings, MOP II Holdings and the Liquidating Trust on behalf of the Optionholders immediately prior to the VQ Completion; and
- (v) To acquire from VQ Investments 100% of the Vitaquest Senior Preferred Interests.

After the VQ Completion, the Purchaser (or any other company within the Group) shall own 80% of the Common Interests of Vitaquest and all of the Vitaquest Senior Preferred Interests.

### 3. Consideration

The enterprise value of Vitaquest amounts to US\$345 million (approximately HK\$2,684.1 million). The VQ Purchase Price (subject to downward adjustment based on the working capital of Vitaquest as at VQ Completion in accordance with the formula as stipulated in the Vitaquest Agreement) is currently expected to be approximately US\$166 million (approximately HK\$1,291.5 million), being the aggregate purchase price for (a) 80% of the Common Interests of Vitaquest (including such Common Interests of Vitaquest held by the Liquidating Trust on behalf of the Optionholders following the cashless exercise of all the Options prior to VQ Completion), the aggregate purchase price of which is currently expected to be approximately US\$144 million (approximately HK\$1,120.3 million); and (b) 100% of the Vitaquest Senior Preferred Interests, the aggregate purchase price of which is currently expected to be approximately US\$22 million (approximately HK\$171.2 million). In addition, Vitaquest has debts which are currently estimated to be in the amount of approximately US\$143.3 million (approximately HK\$1,114.9 million) and the Purchaser shall cause an equivalent amount to be funded to Vitaquest upon VQ Completion for repayment of such debts. The Directors currently intend that the VQ Purchase Price and the amount equivalent to Vitaquest's debts will be funded by internal resources of the Group and/or financing from other sources, such as bank borrowings. The VQ Purchase Price, save for an amount of US\$8 million (approximately HK\$62.2 million) which will be placed in escrow with an escrow agent mutually agreed between the parties on VQ Completion, shall be paid upon VQ Completion.

In addition, in the event that the Normalized EBITDA of Vitaquest based on Vitaquest's audited consolidated financial statement for the year ending 31 December 2006 is equal to or greater than US\$39.5 million (approximately HK\$ 307.3 million) the Purchaser shall pay to the VQ Vendors (excluding Steven Gilbert and Steven Kotler) in accordance with their respective Purchase Price Percentages an aggregate amount equal to US\$4 million (approximately HK\$31.1 million) which is currently expected to be funded by internal resources of the Group.

#### 4. Conditions

The respective obligations of each party to the Vitaquest Agreement and the VQ Completion are subject to the satisfaction or waiver prior to or at VQ Completion of, among others, the following conditions:

- (i) all consents of, or declarations or filings with, or expirations of waiting periods imposed by, any governmental entity necessary for the consummation of the Vitaquest Acquisition shall have been obtained or filed or shall have occurred;
- (ii) no applicable law, judgment or injunction enacted, entered, promulgated, enforced or issued by any governmental entity or other legal restraint or prohibition preventing the consummation of the Vitaquest Acquisition shall be in effect;
- (iii) MOP I Holdings, MOP II Holdings, VQ Investments and the VQ Investor shall have executed and delivered the Amended Vitaquest LLC Agreement;
- (iv) Shareholders shall have approved the Vitaquest Agreement at the EGM (or any adjournment thereof);
- (v) Vitaquest's Normalized EBITDA as per its audited financial statements for the year ended 31 December 2005 is not less than US\$29.6 million (approximately HK\$230.3 million); and
- (vi) a company within the Group and Vitaquest shall enter into a management agreement pursuant to which Vitaquest shall pay to such company 1% of Vitaquest's and its subsidiaries' gross revenue for professional management services to be provided by such company to Vitaquest.

The Vitaquest Agreement may be terminated by either the Purchaser or the VQ Vendors and the Vitaquest Acquisition contemplated by the Vitaquest Agreement may be abandoned at any time prior to the VQ Completion if any of the conditions precedent under the Vitaquest Agreement shall have become incapable of fulfillment or shall not have been satisfied or waived by the Purchaser or the VQ Vendors (as the case may be).

**5. VQ Completion**

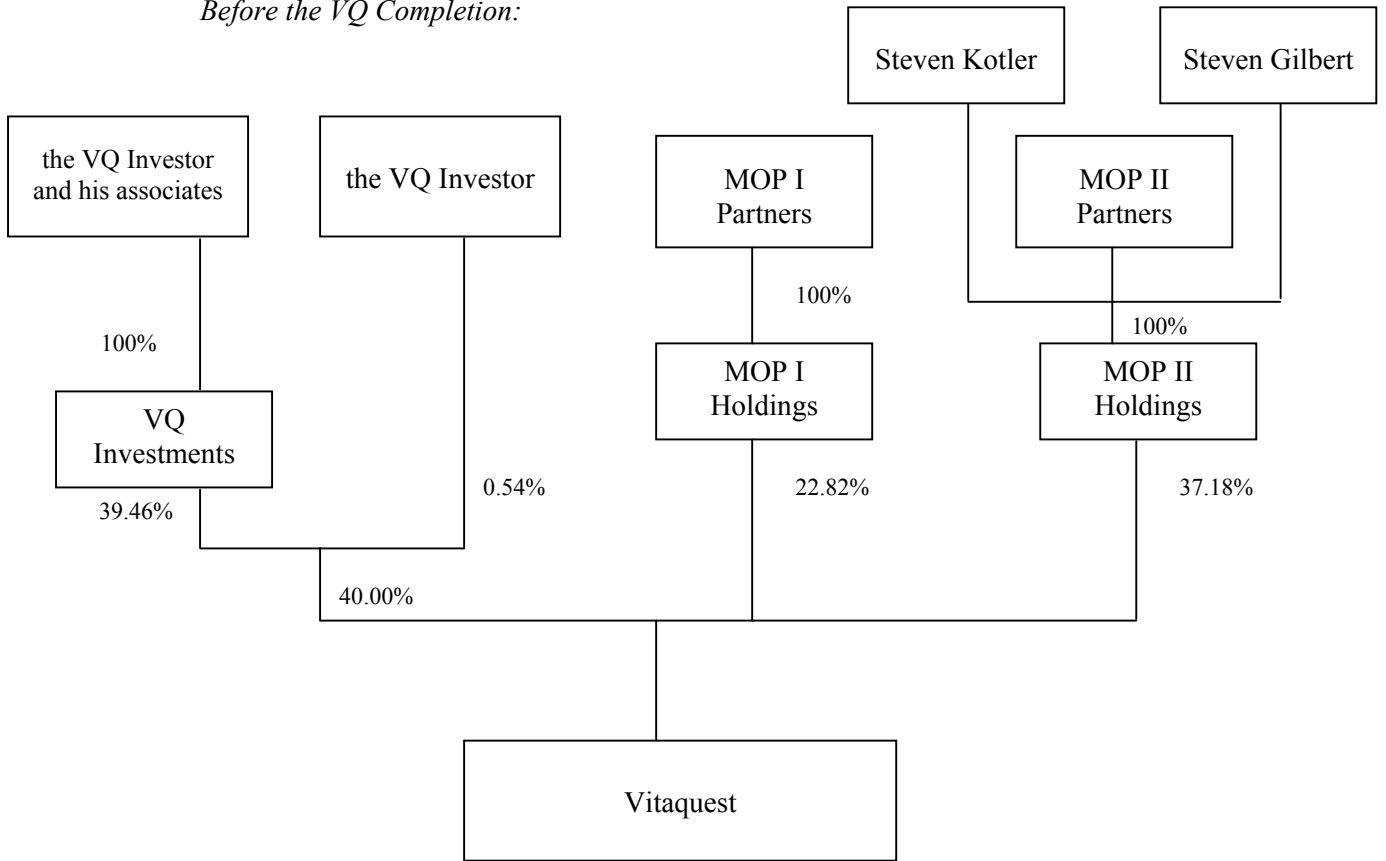
Completion of the Vitaquest Agreement will take place as soon as practicable after all the conditions precedent (other than such conditions that by their nature are to be satisfied at the VQ Completion) have been satisfied (or, to the extent permitted, waived by the parties entitled to the benefits thereof), or at such other time and date as shall be mutually agreed between the Purchaser and the VQ Vendors.

**6. Information on Vitaquest**

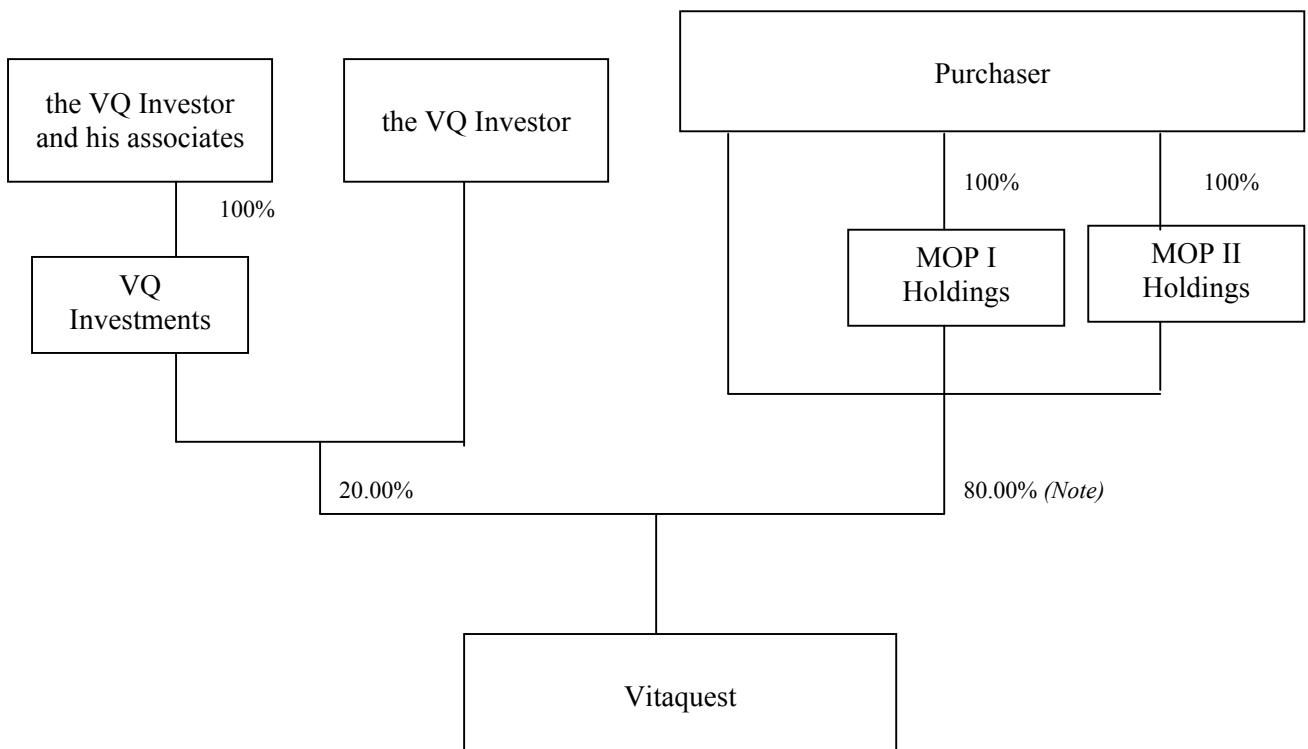
Vitaquest is a Delaware limited liability company, the operations of which are in the US and which is engaged in the business of supplying and manufacturing nutritional supplements worldwide. Garden State Nutritionals, one of the two main operating divisions of Vitaquest, formulates, develops and manufactures custom dietary supplements. Garden State Nutritionals serves companies in more than 35 countries worldwide. Windmill, Vitaquest's distribution arm, sells Vitaquest's own branded as well as third party products to mass merchants, drug store chains, independent pharmacies, supermarket and health food stores.

The following charts show the holding structures of the Common Interests of Vitaquest before and after the VQ Completion:

*Before the VQ Completion:*



*After the VQ Completion:*



*Note: Comprising the Common Interests of Vitaquest acquired from MOP I Partners, MOP II Partners, VQ Investments and the Liquidating Trust after cashless exercise of the Options prior to the VQ Completion. To the best of the Company's knowledge, Vitaquest has no other options or convertible securities other than the Options. Pursuant to the Vitaquest Agreement, all the outstanding Options will be exercised on a cashless basis prior to VQ Completion resulting in the Liquidating Trust holding approximately 7% of the Adjusted Fully-Diluted Interests on behalf of the Optionholders immediately prior to VQ Completion.*

The Company has taken into account the following factors in determining the VQ Purchase Price which was arrived at after arm's length negotiations between the parties: (i) the economic benefits of the transaction to the Group; (ii) the future prospects of the business of Vitaquest; (iii) the synergistic effects and strategic value of Vitaquest on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group.

## **B. REASONS FOR ENTERING INTO THE VITAQUEST AGREEMENT**

Vitaquest is one of the leading manufacturers and marketers of branded nutritional products in the US, and the largest in custom contract manufacturing. Its vitamins, minerals and nutritional supplements, marketed under its own brands as well as third party brands, are sold in major pharmacies, grocery stores and mass market retailers throughout North America. The purchase of Vitaquest will enable the Group to accelerate the development of its global nutraceutical business.

## **C. FINANCIAL INFORMATION**

Based on Vitaquest's unaudited management accounts, Vitaquest's Normalized EBIT for the year ended 31 December 2005 were US\$28.3 million (approximately HK\$220.2 million) while the Normalized EBITDA for the year ended 31 December 2005 were US\$30.8 million (approximately HK\$239.6 million), compared with Normalized EBIT of US\$27.0 million (approximately HK\$210.1 million) and Normalized EBITDA of US\$29.3 million (approximately HK\$228 million) for the year ended 31 December 2004.



Vitaquest's Normalized EBIT and Normalized EBITDA for the year ended 31 December 2005 were arrived at after adjusting for the following non-recurring items which will discontinue after the VQ Completion : (1) US\$11.8 million (approximately HK\$91.8 million) of transactional expenses related to the recapitalization of Vitaquest in March 2005; (2) US\$6.5 million (approximately HK\$50.6 million) of the VQ Vendors' personal/non-business related expenses; (3) US\$1.8 million (approximately HK\$14 million) of start-up costs for new facilities and new product lines; and (4) US\$3.2 million (approximately HK\$24.9 million) of non-recurring salary, bonuses and commission paid to staff.

The unaudited net losses before tax and extraordinary items were US\$5.1 million (approximately HK\$39.7 million) and the unaudited net losses after tax were US\$5.2 million (approximately HK\$40.5 million) for the year ended 31 December 2005, compared with audited net profits before tax and extraordinary items of US\$21.8 million (approximately HK\$169.6 million) and audited net profits after tax of US\$21.6 million (approximately HK\$168.0 million) for the year ended 31 December 2004. The net losses in 2005 were mainly attributable to the non-recurring items described above. Vitaquest also incurred a net interest expense of US\$10.2 million (approximately HK\$79.4 million) on the bank debt of approximately US\$143.3 million (approximately HK\$1,114.9 million) which was used to finance part of the recapitalization exercise in March 2005 (and which did not exist in the year 2004). After the VQ Completion, a new tax and financing structure will be put in place, therefore the historical interest expenses may or may not be indicative of the expense level in the future.

The unaudited total assets as of 31 December 2005 were US\$71.9 million (approximately HK\$559.4 million) while the unaudited net liabilities as of 31 December 2005 were US\$95.1 million (approximately HK\$739.9 million). The net liabilities were the result of the bank debt of approximately US\$143.3 million (approximately HK\$1,114.9 million) borrowed as part of the Vitaquest's recapitalization as mentioned above. The above audited and unaudited figures were prepared under the US GAAP.

## **D. GENERAL**

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

The business operations of the Group primarily include research and development, commercialization, marketing and sale of biotechnology products as well as investments in financial instruments/products. Products developed by the Group are categorized into areas of human health and environmental sustainability. A number of the inventions were granted patents by the US Patent and Trademark Office.

The principal activities of MOP I Partners and MOP II Partners are private equity and venture capital investments. VQ Investments is a family holding company the principal activities of which include management of some of the funds of the family members.

The transaction contemplated in the Vitaquest Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and accordingly, will be subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Vitaquest Agreement, and no Shareholder is required to abstain from voting on the resolutions to approve the Vitaquest Agreement at the EGM. On 3 February 2006, the Company received from a closely allied group of shareholders, namely Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited, their confirmation that they will vote in favour of the resolutions for approving the Vitaquest Agreement at the EGM. Gold Rainbow Int'l Limited, Trueway International Limited and Triluck Assets Limited together hold approximately 73.35% of the issued share capital of the Company and they have no interest in the Vitaquest Agreement or any transaction contemplated thereunder other than through their equity interest in the Company.

A circular containing, amongst other things, further information about the Vitaquest Acquisition, the financial information of the Group and Vitaquest and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

**As the transaction contemplated under the Vitaquest Agreement is subject to a number of conditions precedent, they may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

"Adjusted Fully-Diluted Interests"	the number of Common Interests issued and outstanding immediately prior to the VQ Completion after the cashless exercise of the Options and upon the exercise or conversion of any other securities directly or indirectly exchangeable for or convertible into any Common Interests
"Aggregate Option Value"	an amount equal to (i) the number of all Underlying Interests multiplied by (ii) an amount equivalent to the Net Enterprise Value divided by the number of Fully-Diluted Interests
"Amended Vitaquest LLC Agreement"	the Third Amended and Restated Limited Liability Company Agreement of Vitaquest, to be executed by the members of Vitaquest at the VQ Completion
"Board"	the board of directors of the Company
"Change of Control Payments"	any bonus, severance or other payment which is created or is or becomes payable by Vitaquest or any of its subsidiaries to any present or former director, stockholder, employee, consultant or other person, including pursuant to any employment agreement, benefit plan or any other contract, or any payment or benefit which accelerates, in each case as a result of the execution, delivery or consummation of the transactions contemplated by the Vitaquest Agreement

"Common Interests"	the authorized Common Membership Units described in the Amended Vitaquest LLC Agreement
"Company"	CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability
"Designated Indebtedness"	the indebtedness of Vitaquest and its subsidiaries as at VQ Completion and listed on an exhibit to the Vitaquest Agreement
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of approving, inter alia, the Vitaquest Agreement and the transactions contemplated thereunder
"Fully-Diluted Interests"	the number of Common Interests issued and outstanding as of the VQ Completion plus the number of Common Interests underlying all of the Options (assuming for such purpose that the Options had not been exercised at the time of determination of Fully-Diluted Interests) and upon the exercise or conversion of any other securities directly or indirectly exchangeable for or convertible into any Common Interests
"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
"Issuable Option Interests"	the number equal to: (i) the difference between (x) the Aggregate Option Value and (y) the aggregate of the exercises prices of all of the Options; divided by (ii) an amount equivalent to the Net Enterprise Value divided by the number of Fully-Diluted Interests

"Liquidating Trust"	the trust to be established by the VQ Vendors (on behalf of the Optionholders) which shall: (i) consist of one unit of beneficial interest for each Issuable Option Interest; and (ii) have as its sole purpose to receive and distribute to the Optionholders any amounts paid to it under the Vitaquest Agreement
"MOP I Holdings"	MidOcean Partners Vita I Corp., a corporation incorporated under the laws of the state of Delaware, US
"MOP I Partners"	MidOcean Partners, LP, a limited partnership established under the laws of the Cayman Islands
"MOP II Holdings"	MidOcean Partners Vita II Corp., a corporation incorporated under the laws of the state of Delaware, US
"MOP II Partners"	MidOcean Partners II, LP, a limited partnership established under the laws of the Cayman Islands
"Net Enterprise Value"	US\$345 million (approximately HK\$2,684.1 million), less (i) the Designated Indebtedness less the cash held by Vitaquest and any of its subsidiaries as of the date of the VQ Completion, (ii) the amount equal to the initial investment amount with respect to the Vitaquest Senior Preferred Interests and the accrued but unpaid distributions with respect thereto, (iii) the Change of Control Payments, and (iv) the Preliminary Adjustment Amount
"Normalized EBITDA"	earnings before interest, taxes, depreciation and amortization adjusted for items such as VQ Vendors' personal/non-business related expenses, transaction related fees and non-recurring expenses
"Normalized EBIT"	earnings before interest and tax adjusted for items such as VQ Vendors' personal/non-business related expenses, transaction related fees and non-recurring expenses

"Option(s)"	option(s) for the purchase of non-voting common interest of Vitaquest issued pursuant to the option agreements entered into by Vitaquest
"Optionholders"	the holders of the Options
"Preliminary Adjustment Amount"	the amount by which the estimated working capital of Vitaquest falls short of its target working capital as specified in the Vitaquest Agreement
"Purchase Price Percentage"	the pro-rata percentage of the Common Interests owned by each VQ Vendor (excluding Steven Gilbert and Steven Kotler) as at VQ Completion
"Purchaser"	CK Life Sciences Int'l., Inc., a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underlying Interests"	with respect to an Option, the number of membership interests underlying such Option prior to the exercise thereof
"US"	the United States of America
"US GAAP"	generally accepted accounting principles in the US
"Vitaquest"	Vitaquest International Holdings LLC, a limited liability company established under the laws of the state of Delaware, US

"Vitaquest Acquisition"	the acquisition of 80% of the Common Interests of Vitaquest and all of the Vitaquest Senior Preferred Interests under the Vitaquest Agreement
"Vitaquest Agreement"	the purchase agreement dated 3 February 2006 entered into between the Purchaser, Vitaquest and the VQ Vendors in relation to the Vitaquest Acquisition
"Vitaquest Senior Preferred Interests"	all the issued and outstanding non-voting senior preferred limited liability company interests of Vitaquest which carry a cumulative preferred dividend of US\$2.4 million (approximately HK\$ 18.7 million) per annum
"VQ Completion"	completion of the Vitaquest Agreement
"VQ Investments"	VQ Investments, Inc., a corporation incorporated under the laws of the state of Delaware, US
"VQ Investor"	an individual investor in Vitaquest who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules)
"VQ Purchase Price"	an aggregate purchase price (subject to downward adjustment based on the working capital of Vitaquest as at VQ Completion in accordance with the formula as stipulated in the Vitaquest Agreement) of the assets to be acquired by the Purchaser under the Vitaquest Agreement
"VQ Vendors"	MOP I Partners, MOP II Partners, Steven Kotler, Steven Gilbert and VQ Investments
"HK\$"	the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China

"US\$"

the lawful currency of the US

For the purpose of illustration only, US\$ to HK\$ is translated at a rate of US\$1.00 = HK\$7.78.

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

Hong Kong, 3 February 2006

*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 and Dr. Chu Kee Hung; and the Non-executive Directors are Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard (Independent Non-executive Director), Mrs. Kwok Eva Lee (Independent Non-executive Director) and Mr. Colin Stevens Russel (Independent Non-executive Director).*

*This announcement, 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 is not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.ck-lifesciences.com](http://www.ck-lifesciences.com).*