

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2002**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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

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

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

*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

### Sales. Profits. Breakthrough

#### Financial Performance

HK\$'000	Quarterly results for 2002				Yearly results	
	Q1	Q2	Q3	Q4	2002	2001
Turnover	134	298	1,456	<b>3,060</b>	4,948	148
Operating profit/(loss)	(22,146)	(27,271)	(11,148)	<b>90</b>	(60,475)	(57,896)
Property revaluation	-	-	-	-	(28,589)	-
Loss attributable to shareholders	-	-	-	-	(88,895)	(57,934)

I am pleased to report that CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries (the "Group") reached another significant milestone by achieving profitability in the fourth quarter of last year. In the quarter ended 31 December 2002, the Group reported an operating profit of approximately HK\$90,000. Turnover amounted to approximately HK\$3,060,000, an increase of 110% over the previous quarter.

Prior to the incorporation of a revaluation on the leasehold land and building in Tai Po Industrial Estate, where the Group's R&D facility is located, the loss attributable to shareholders in 2002 was approximately HK\$60,306,000. Taking into account this revaluation, the loss attributable to shareholders amounted to approximately HK\$88,895,000. The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2002.

#### Review

The Group was listed on the GEM Board of the Stock Exchange in July 2002, and became the largest listed company on the GEM Board by market capitalization. Business has since been growing rapidly. The ability of the Group to achieve profitability in less than six months after listing can be attributed to two major factors:

- **Rapid Expansion of Sales Network**

The sales network for the Group's eco-fertilizer expanded rapidly during the year. Distributors were appointed in Australia, the United States, Thailand, Malaysia, Indonesia, Hong Kong, Macau, and Mainland China, and export markets were established in Myanmar, South Korea, and the Philippines. The distribution network for eco-fertilizer now spans three continents - Australia, Asia, and North America.

- **Attractive Returns from Effective Financial Management**

An effective and prudent financial and risk management strategy has strengthened the Group's foundation of capital resources and generated attractive returns. During the year, a portion of the funds raised from the listing was allocated to R&D, business development, and manufacturing facilities; while the remainder was placed on deposit and invested in other financial instruments, resulting in a steady stream of treasury income.

In addition to achieving positive financial results, the Group has also consolidated its foundations. Initiatives have been undertaken to expand the revenue base, accelerate the pace of R&D, and strengthen the portfolio of intangible assets. Significant amount of the Group's resources has been channelled to R&D investment. We also achieved substantial progress in a number of areas during the year:

- The Group's patent portfolio has expanded substantially. To date, we have received 7 patents and 2 notices of allowance from the US Patent and Trademark Office, and another 30 patent applications are at the patent pending stage.
- The Group is growing rapidly in size. Including overseas operations and joint venture companies, the Group now has more than 200 employees, many of whom are engaged in R&D activities. This vast pool of talent is instrumental in accelerating R&D growth and market development.
- The NutriSmart™ eco-fertilizer received the "Far Eastern Economic Review" Asian Innovation Bronze Award 2002 during the year.
- Field trials of NutriSmart™ were conducted on rice, vegetables, fruits, parks, gardens, as well as sportsgrounds in many places, including Australia, Thailand, Taiwan, Hong Kong, the Philippines, Indonesia, Malaysia, Myanmar, Vietnam, South Korea, the United States, the Netherlands, the United Kingdom, Ghana, and Mainland China. Satisfactory results were reported.
- Pre-sale trials of the bioremediation products WonderTreat™ have been conducted in Mainland China, Australia, Hong Kong, and Canada, and results have been most encouraging. Plans are being made to launch this series of products during 2003, further augmenting the Group's income stream.
- Research and development of a series of products to enhance immunity is making very good progress.
- Trial programmes conducted in Mainland China on the Group's HIV/AIDS products recorded encouraging preliminary results. To accelerate the research process, the Group set up the "CK Life Sciences AIDS Research Institute" with an initial budget allocation of HK\$370 million.
- The Group plans to implement a global research programme for its HIV/AIDS products. In addition to Mainland China, a research programme has commenced in Australia.

To conclude, the Group has built a strong foundation during the past year through encouraging progress in finance, R&D, product development, and market expansion.

## **Outlook**

2003 will be a year full of opportunities for CK Life Sciences. Capitalizing on its solid financial foundation, R&D strength, and marketing capability, the Group is optimistic about its sales and revenue outlook:

- **Developing Products For Today's Needs**

Products developed by the Group are ideal in fulfilling the needs of today's markets globally. In the 20th century, emphasis was placed on using technology to improve efficiency. In the 21st century, the focus will be on enhancing the quality of life. Solutions are being sought after all over the world for a cleaner environment, more sustainable development and better health. We expect that demand for the Group's products will be very strong, and the market potential most promising.

- **Launching the Right Products at the Right Time**

Product development and commercialization has been progressing well, and research indicates that timing for the launch of various new products fits in perfectly with market needs. Quite a few products are already on sale, or in the process of being launched shortly. R&D activities have been accelerated, shortening the product development cycle. Product launches are being brought forward to capitalize on market opportunities.

- **Expanding and Penetrating Markets to Capture Opportunities**

The Group's distribution network currently spans three continents. The Group will employ a dual strategy of expanding market coverage and deepening market penetration simultaneously to accelerate market acceptance and increase sales. The Group will focus on extending the reach of its distribution network, while at the same time pursue further penetration of existing markets. Products in different categories will be launched in these markets to maximize synergy and leverage available resources to generate sales efficiently.

- **Sustaining Returns and Growth**

The most successful biotech companies are those that carry out the most research, but for many start-up companies, the cost of research is prohibitively high. Not only does CK Life Sciences have exceptionally solid financial strength, it also has good revenue-generation capacity and steady treasury income to fund R&D activities. The Group's strong financial foundation, visionary financial strategy and highly developed R&D and marketing capabilities should result in sustained favourable financial returns and growth in coming years.

## **Acknowledgements**

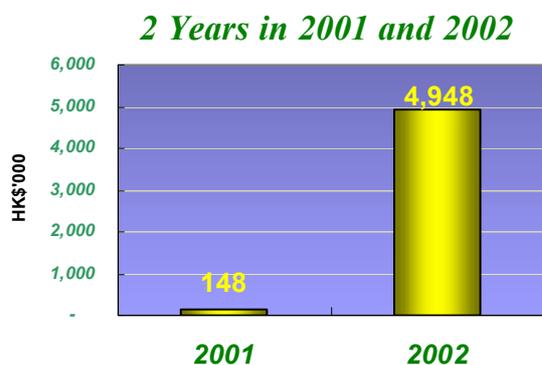
I wish to thank our shareholders, Board of Directors, management, staff, and business partners for their support, contributing to the Group's rapid development and achievement of profitability within a short period of time after listing.

**LI TZAR KUOI, VICTOR**  
Chairman

Hong Kong, 6 March 2003

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover



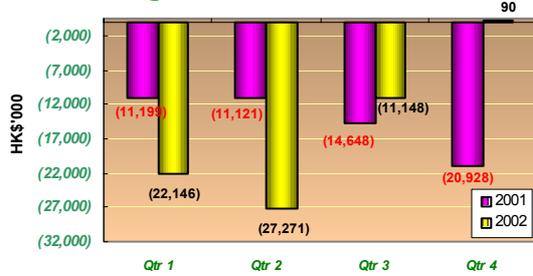
### Financial Review

#### *i) Turnover*

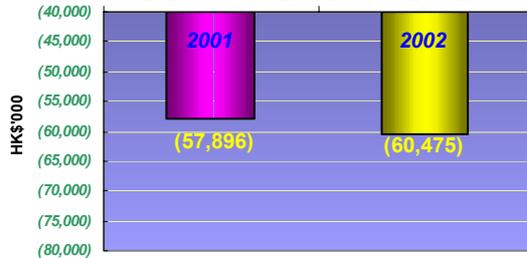
The Group made good progress in expanding its distribution network and increasing sales for its eco-fertilizer products for the year ended 31 December 2002. In addition to the distributor in Thailand which was appointed in 2001, the eco-fertilizer market now also covers Australia, Mainland China, Hong Kong, Macau, Indonesia, Malaysia, Myanmar, the Philippines, South Korea, and the United States. Continuing with the upward trend for the first three quarters of 2002, the turnover of the Group amounted to approximately HK\$3,060,000 in the last quarter. On a full year basis, the total amount of turnover is approximately HK\$4,948,000 for the year 2002 while that for year 2001 is approximately HK\$148,000.

## Results from Operations

### 4 Quarters in 2001 and 2002



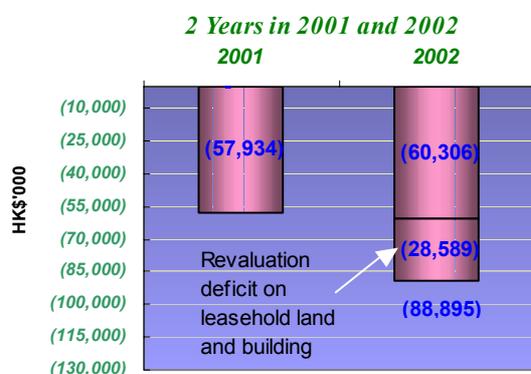
### 2 Years in 2001 and 2002



### ii) Results from Operations

For the years ended 31 December 2001 and 2002, the total operating losses were approximately HK\$57,896,000 and HK\$60,475,000 respectively. Despite the operating loss for the year ended 31 December 2002 being slightly higher than that of 2001, the operating results of the Group have shown significant improvement starting from the third quarter of the year 2002. With the expanded distribution and increased sales of eco-fertilizer products as well as strong income derived from treasury investments, the operating loss had been narrowed down to approximately HK\$11,148,000 in the third quarter of 2002, which is about 24% better than that of approximately HK\$14,648,000 in the same quarter of 2001. When compared to the operating loss of approximately HK\$27,271,000 in the second quarter of 2002, the improvement is even more evident with about 59% reduction. Carrying on with this favourable trend, the Group successfully achieved its operating results at the breakeven level in the last quarter of 2002 and recorded a small operating profit of approximately HK\$90,000.

### Loss attributable to shareholders



### *iii) Loss attributable to shareholders*

In the year 2002, the Group had revalued the leasehold land and building in Tai Po Industrial Estate where its office and research and development facilities are located. The revaluation resulted in a deficit of approximately HK\$28,589,000. This deficit was incorporated in the results of the Group for the year 2002 and is a one-off adjustment for the year.

Prior to the incorporation of the above one-off adjustment in the results for the year 2002, the loss attributable to shareholders was approximately HK\$60,306,000, which is about 4% higher than that of approximately HK\$57,934,000 in the year 2001. When the one-off adjustment is taken into account, such loss amounted to approximately HK\$88,895,000, representing an increase of about 53% over that of approximately HK\$57,934,000 in the previous year.

### **Financial resources, liquidity and treasury policies**

After the listing of the Company on the GEM of the Stock Exchange in July 2002, the financial and liquidity position of the Group has been strongly strengthened with the net proceeds of approximately HK\$2,500,000,000 from the share placing and initial public offer (the "IPO").

As at 31 December 2002, the Group had net current assets of approximately HK\$324,712,000, of which approximately HK\$270,721,000 were cash and bank balances. The current ratio of the Group, which is a ratio of current assets to current liabilities, was at the level of 14 to 1 at the end of the year 2002. This indicates that the Group was in a very liquid financial position and was capable of meeting its obligations.

Ever since its establishment in 2000, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Basically, the Group has been financing its operations and investing activities from its own resources. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any charges or mortgages.

The Group's treasury activities have been centralized for more effective cost control and efficient risk management. Funds from the IPO which are yet to be utilized per the "Use of Proceeds" of the prospectus of the Company dated 4 July 2002 (the "Prospectus") have been placed in either deposits or financial instruments in order to generate higher yield for the Group. During the year under review, the Group received a total of approximately HK\$76,582,000 income from such deposits and financial instruments.

In short, the Group has maintained a very healthy and sound liquidity position. Going forward, the Group's abundant financial resources will enable it to satisfy its future development and working capital requirements.

### **Material acquisitions/disposals and significant investments**

Throughout the year in 2002, the Group did not make any material acquisitions or disposals other than those disclosed in the paragraphs headed "Reorganisation" under Appendix IV of the Prospectus. As mentioned above, part of the IPO proceeds that has yet to be utilized was invested in financial instruments such as bonds and notes. These investments amounted to approximately HK\$2,244,404,000 at the end of the year.

### **Capital commitments and future plans for material investments or capital assets**

For the year under review, the Group has made capital commitments of about HK\$9,529,000 in respect of the purchase of laboratory instruments, plant and equipment. These commitments or plans for investments in capital assets synchronized with the business objectives and use of proceeds as stated in the Prospectus.

### **Exposure on exchange rate fluctuation**

Most of the income and expenditure of the Group were denominated either in Hong Kong dollars or United States dollars. In view of the stability of the exchange rate between these two currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purposes.

### **Information on employees**

As of 31 December 2002, the Group had a total of 161 employees, the majority of whom were engaged in research and development and business development activities. The total staff costs, including directors' emoluments and the staff costs which have been capitalized, amounted to approximately HK\$82,340,000 for the year under review. As at the end of February 2003, the total staff number of the Group including overseas operations and joint venture companies exceeded 200.

The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a provident fund and a medical plan. The Company also adopted a share option scheme as an added incentive for its employees. Since its adoption, the Company has granted two lots of share options, in September 2002 and January 2003, which will allow its employees to purchase shares of the Company at the prices of HK\$1.598 and HK\$1.446 within the periods from 30 September 2003 to 29 September 2012 and 27 January 2004 to 26 January 2013 respectively.

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2002 or as at 31 December 2001.

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2002**

	<i>Notes</i>	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Turnover	3	4,948	148
Cost of sales		<u>(3,533)</u>	<u>(103)</u>
Gross profit		1,415	45
Other revenue	4	76,582	14
Staff costs	5	(67,376)	(31,250)
Depreciation		(17,498)	(6,615)
Amortization of intangible assets		(685)	(53)
Other operating expenses		<u>(52,913)</u>	<u>(20,037)</u>
Loss from operations		(60,475)	(57,896)
Deficit on revaluation of leasehold land and building		<u>(28,589)</u>	<u>-</u>
Loss before taxation		(89,064)	(57,896)
Taxation	6	<u>52</u>	<u>(38)</u>
Loss before minority interest		(89,012)	(57,934)
Minority interests		<u>117</u>	<u>-</u>
Loss attributable to shareholders		<u>(88,895)</u>	<u>(57,934)</u>
Dividends	7	-	-
Loss per share - Basic (Hong Kong cents)	8	<u>(1.56 cents)</u>	<u>(1.14 cents)</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND OPERATIONS

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability and its shares have been listed on the GEM of the Stock Exchange since 16 July 2002.

Pursuant to a group reorganization (the “Reorganization”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 13 March 2002. Details of the Reorganization are set out in the Prospectus.

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

### 2. BASIS OF PREPARATION

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

The results of the Group for the year ended 31 December 2002 and the corresponding preceding year have been prepared on the merger accounting basis as if the current structure of the Group had been in existence throughout the relevant years or since the date of incorporation, whichever is earlier.

### 3. TURNOVER

Turnover represents the net amounts received and receivable for sales of a range of environmental friendly fertilizers.

### 4. OTHER REVENUE

Other revenue included:-

	<u>2002</u>	<u>2001</u>
	HK\$’000	HK\$’000
Interest income from bank	12,145	14
Interest income from investments in securities		
- Listed	18,939	-
- Unlisted	33,267	-
Interest income from other investments		
- Unlisted	4,293	-
Gain on disposal of investments in securities	3,675	-

## **5. STAFF COSTS**

Staff costs which include salaries, bonuses, retirement benefit scheme contribution and recruitment costs for the year amounted to HK\$82,340,000 (2001: HK\$49,156,000) of which HK\$14,964,000 (2001: HK\$17,906,000) relating to development activities was capitalized.

Staff costs also include the operating lease rentals of HK\$959,000 (2001:HK\$879,000) in respect of accommodation provided to staff.

## **6. TAXATION**

No provision for Hong Kong Profits Tax was made as there was no assessable profit for the year. The credit balances represent the over provision of taxation of prior year. Hong Kong Profits Tax of last year is calculated at 16% on the estimated profit for last year.

## **7. DIVIDENDS**

The Board of the Directors does not recommend the payment of a final dividend for the year ended 31 December 2002.

## **8. LOSS PER SHARE**

The calculation of the basic loss per share for the year is based on loss attributable to shareholders of HK\$88,895,000 (2001: loss of HK\$57,934,000) and the weighted average number of 5,705,158,904 shares (2001: 5,100,000,000 shares) in issue which is calculated assuming that the capitalization issue of 5,100,000,000 shares as described in Appendix IV to the Prospectus is deemed to have been in issue throughout the relevant accounting periods.

Diluted loss per share is not presented because the effect on the exercise of the share options granted by the Company is anti-dilutive.

## 9. SHARE PREMIUM AND RESERVES

	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>2001</u>				
At 1 January 2001	-	-	(137,491)	(137,491)
Loss for the year	-	-	(57,934)	(57,934)
At 31 December 2001	-	-	(195,425)	(195,425)
<u>2002</u>				
At 1 January 2002	-	-	(195,425)	(195,425)
Surplus on revaluation of investments in securities	-	46,042	-	46,042
Premium on issue of shares by capitalization of loan due to immediate holding company	522,151	-	-	522,151
Amount utilized for paying up new shares	(509,993)	-	-	(509,993)
Premium on issue of shares	2,483,300	-	-	2,483,300
Share issue expenses	(103,796)	-	-	(103,796)
Loss for the year	-	-	(88,895)	(88,895)
<b>At 31 December 2002</b>	<b><u>2,391,662</u></b>	<b><u>46,042</u></b>	<b><u>(284,320)</u></b>	<b><u>2,153,384</u></b>

## 10. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographic segments as the secondary reporting format.

### a) Business segments

No analysis of the business segments is presented as the Group was only engaged in the sale of one single product (i.e. fertilizer) during the year.

### b) Geographical segments

An analysis of the Group's turnover by geographical segments for the year ended 31 December 2002 is as follows:

	HK\$'000
Mainland China	1,644
Malaysia	1,579
Other Asian countries	324
Australia	983
United States	418
	<u>4,948</u>

The Group's turnover was derived entirely from the sales of fertilizers to Thailand for the year ended 31 December 2001.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 16 July 2002, except that the Non-executive Directors of the Company are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

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

On 22 April 2002 prior to the listing of the Company, the one share of US\$1.00 par value was repurchased by the Company at a price equal to the proceeds of the issue of 78 new shares of HK\$0.10 each.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

*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).*