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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)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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*This announcement, for which 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

### Opportunities Abound, Growth Robust

I am pleased to report that encouraging progress has been achieved during the year by CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries ("CK Life Sciences" or "the Group") and profits were generated.

The Group reported a yearly turnover of HK\$27,563,000 in 2003, an increase of 457% over last year, and profit attributable to shareholders amounted to HK\$928,000. Listed in July 2002 and achieving profitability in 2003, the Group's turnover and profit are increasing steadily while active initiatives are made to accelerate the pace of R&D and product development.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2003.

### FINANCIAL PERFORMANCE

HK\$'000	Quarterly Results		Yearly Results	
	Q4 of 2003	Q4 of 2002	2003	2002
Turnover	7,940	3,060	27,563	4,948
Profit/(Loss) attributable to shareholders	197	(28,448)	928	(88,895)

### REVIEW AND OUTLOOK

#### Business Progress

For CK Life Sciences, 2003 was a year characterized by germination. Breakthroughs were made in business development as well as R&D. A solid foundation has been established and opportunities are looming on all fronts. In the coming year, the Group will continue to excel and grow.

#### *Eco-fertilizer Product Series – Surge in Sales; Rapid Business Expansion*

- 4 patents and 1 notice of allowance for the Group's eco-fertilizer series, marketed under the NutriSmart™ brand, have been granted by the US Patent and Trademark Office, and 1 patent application is at the patent pending stage;
- The Group has established a global distribution network spanning 11 countries, and about 4-fold increase in turnover was recorded in 2003 over 2002;
- The Group has further made footholds in Mainland China, the largest fertilizer market in the world. A partnership with **Nanjing Red Sun Co Ltd** has been formed to acquire a distribution network covering the entire Jiangsu province, as well as to set up a production facility. This move will further strengthen the Group's distribution network in Mainland China and enable rapid increase in fertilizer sales;
- NutriSmart™ performed well in many places around the globe. Cases such as applications in sugarcane in Australia, rice in the Philippines, sweet pepper in South Korea, oil palm in Malaysia, and turf in the United States have shown remarkable performance. The Group will continue to develop new markets for NutriSmart™ and widen its application: such moves include conducting trials for traditional Chinese medicine Lycium (Chinese Wolfberry) and orchids;

- In the coming year, the Group plans to begin local manufacturing in different strategic markets around the world. This would allow production quantity and formula to be flexibly adjusted according to the distribution network's expansion needs. It is anticipated that such a strategy will lower operating costs, enhance customer service, and improve revenue.

***Bioremediation Product Series – Remarkable Performance; Favourable Position Established***

- 5 patents for WonderTreat™, the Group's bioremediation series of solutions, were granted by the US Patent and Trademark Office, and 3 are at the patent pending stage;
- A series of trials carried out in Mainland China, Australia and the United States recorded satisfactory results, and remarkable performance was recorded in the treatment of pig and chicken manure as well as municipal wastewater;
- Pre-launch work has been completed and promotions will be carried out in 2004 to roll out WonderTreat™ in the market. Plans are in place to further expand the scope of the trial programme, and preparation for sales activities is underway. It is envisaged that WonderTreat™ will become another mainstream product series of CK Life Sciences.

***Nutraceutical Product Series – Market Positioning Set; Full Force Launch Planned***

- The Group filed patent applications for 10 nutraceutical products last year. To date, 2 patents and 5 notices of allowance have been received and 3 patent applications are at the patent pending stage;
- In 2003, the Group launched two new immunity enhancing products in the VitaGain™ series: "Pre-Cold & Flu Formula" and "Nasal Allergy Relief". Extensive promotional campaigns were staged to coincide with the launches;
- "VitaGain™ For Daily Immunity" was launched in early 2004 and more products in the VitaGain™ series will be rolled out in the near future. Overseas markets will also be developed.

**Research and Development Progress**

The Group is committed to conducting research and development on biotechnology products which can improve the quality of life. The areas on which CK Life Sciences focuses are environmental sustainability and human health. For environmental products that have already been introduced to the market, the Group will continue to carry out research to extend the applications. For human health products, the Group will continue to conduct research studies with academic institutions around the world based on its immunity enhancement R&D platform. The results of a series of studies have demonstrated that the Group's products have the capability of enhancing the immunity of healthy individuals as well as those who are suffering from sickness. These studies include those conducted in collaboration with **Harvard Medical School in the United States** and **The Chinese University of Hong Kong**. The products were effective in modulating the immune response in white blood cells of humans and animals. These prominent results have marked a new milestone in R&D and laid a strong foundation for the Group's stature as an immunity expert. Based on the premise that immunity improves health, the Group will continue to undertake extensive and dedicated initiatives to accelerate the pace of research and development on its human health-related products.

The number of cancer and AIDS cases is increasing globally and satisfactory treatments are yet to be developed. The Group has conducted extensive research studies targeting these two brutal diseases, and breakthrough progress has been registered.

***Cancer Research Extended Globally***

- Research and development on the Group's cancer products is progressing rapidly. The 18 anti-cancer product patent applications submitted last year are currently at the patent pending stage;

- A series of studies and trials for the cancer products has been conducted with **China Cancer Research Foundation, The Chinese Academy of Medical Sciences Cancer Institute and Hospital, The Chinese University of Hong Kong, and The University of Hong Kong**. Results indicate that the products can inhibit the proliferation of primary cancer cells, alleviate symptoms, improve patients' quality of life, stimulate immune cells and reduce tumor size and weight;
- At present, preparations are being made together with **The Chinese University of Hong Kong** to conduct clinical trials for liver cancer, lung cancer, and colorectal cancer patients. The Group has also joined forces with **The Hong Kong University of Science and Technology** to study the efficacy of the products for breast and prostate cancer. The collaborative study also aims to establish the first-ever pharmacogenomic and pharmacogenetic database for Chinese prostate and breast cancer patients. A global trial programme, spanning six regions in four continents, is already underway to accelerate R&D;
- Research partners of the Group are all renowned institutions. Such collaboration helps to further strengthen the scientific capabilities of the Group and accelerate the commercialization process.

#### ***Initial AIDS Research Results Encouraging***

- The HIV/AIDS product developed by the Group is at the patent pending stage, and the first phase of the joint research studies conducted with the **Partners AIDS Research Center at Massachusetts General Hospital of Harvard Medical School in the United States, Peking Union Medical College Hospital and Beijing You An Hospital** have been completed. Results have indicated the product's efficacy on patients.
- The Group is presently conducting clinical trials with **Swinburne University and Macfarlane Burnet Research Institute** in Australia, and more research studies are expected.

#### ***Patent Portfolio***

The Group has made great strides in patent application. As of today, we have received 11 patents (4 of which are for eco-fertilizer products, 5 for bioremediation products, and 2 for nutraceuticals), and 6 notices of allowance. 52 applications are at the patent pending stage. This strong patent portfolio constitutes a good barometer for the Group's R&D achievements.

The current status of 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	4	-	5	2	-	-	<b>11</b>
Notice of Allowance Received	1	-	-	5	-	-	<b>6</b>
Patent Pending	1	14	3	3	31	-	<b>52</b>
Drafting Stage	4	4	7	-	19	5	<b>39</b>
<b>Total</b>	<b>10</b>	<b>18</b>	<b>15</b>	<b>10</b>	<b>50</b>	<b>5</b>	<b>108</b>

#### **PROSPECTS**

Cancer and AIDS continue to stalk the world. The outbreak of SARS in 2003 has caused numerous tragedies. During this unsettled year, the Group made exciting progress. The eco-fertilizer business has extended its geographical reach, nutraceutical products were launched one by one, and breakthroughs in environmental and human health-related R&D were made. After a year of hard work, the seeds of our endeavour have begun to germinate, bringing the Group to a new milestone in its progress.

Since its listing in July 2002, the Group has grown incessantly and steady profits have been recorded. This is attributable to the solid financial foundation which provides sufficient resources for continual expansion as well as ample funding for research and development, accelerating the pace for R&D.

Currently, the call for environmental protection is intensive and the Group's eco-fertilizer and bioremediation products are in high demand. At the same time, lethal infectious diseases continue to break out. General awareness towards health has increased and market demand for nutraceutical products is big. It is expected that more business breakthroughs will be achieved by the Group shortly. In 2004, CK Life Sciences will focus on making more acquisitions, launching more products, as well as lining up more research collaborations.

Careful planning and past activities have laid a strong foundation for the Group. Against the background of a favourable market environment and abundant business opportunities, robust growth is expected.

### **ACKNOWLEDGEMENTS**

The Group has developed rapidly and a number of awards and marks of recognition have been received since listing. Recently, the **World Economic Forum** has selected CK Life Sciences as one of the 30 global "Technology Pioneers" for 2004, giving international recognition to the Group's R&D achievements and affirming the Group's status as a world class technology company. Such satisfactory achievements would not have come into fruition without the hard work and efforts of the Directors on the Board, the management team and staff as well as long term support from our business partners; for this, I would like to express my appreciation. I would also like to thank our shareholders for their support and confidence in the Group.

**LI TZAR KUOI, VICTOR**  
Chairman

Hong Kong, 9 March 2004

## **FINANCIAL REVIEW**

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

The financial and liquidity position of the Group remained strong in 2003. As at 31 December 2003, the total non-current assets amounted to HK\$2,515,897,000 which is about 2% increase as compared to that of HK\$2,469,723,000 in 2002. The total current assets stood at HK\$343,832,000 (2002: HK\$349,634,000), of which HK\$240,258,000 (2002: HK\$270,721,000) were cash and bank balances. While there were no non-current liabilities at the year end of 2003 (2002:Nil), the current liabilities were HK\$46,292,000 (2002: HK\$24,922,000) which comprised mainly non-trade creditors. The current ratio of the Group, which is a ratio of current assets to current liabilities, was at the level of about 7 to 1 at the end of 2003. The shareholders' equity amounted to HK\$2,813,316,000 and its net asset value per share was HK\$0.44, which is about 0.7% increase as compared to that of HK\$2,794,084,000 in 2002.

The Group adheres to a prudent financial management and treasury policy. As it has been financing its operations and investing activities from its own resources without any bank borrowings, the gearing ratio of the Group, which is net borrowings over shareholders' funds, remained to be zero. As such, none of the assets of the Group have been pledged or mortgaged as collateral for bank loans.

Same as the previous years, funds not yet utilized were invested in financial instruments such as bonds and notes. The total investments in financial instruments as at 31 December 2003 were about HK\$2,223,477,000, from which an investment income of about HK\$186,632,000 was generated.

During the fiscal year under review, most of the income and expenditure of the Group were denominated in either Hong Kong dollars or U.S. dollars. However, as Hong Kong dollars have been pegged to the U.S. dollars, the impact of such exposure on the Group was not significant during the year under review. Therefore, the Group did not adopt any financial instruments to hedge against its currency risks.

### **Material acquisition/disposals and significant investment**

In 2003, the Group had neither any material acquisition nor disposal. With the aim to become a world-class biotechnology company as set out in the prospectus of the Company dated 4 July 2002, the Group will continue to invest significantly in research and development activities. Such investment amounted to HK\$73,562,000 in 2003.

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

At the end of 2003, the total capital commitments by the Group in respect of the acquisition of laboratory instrument, plant and equipment that have contracted but not provided for in the financial statements amounted to HK\$14,757,000.

**Information on employees**

Due to the quick expansion of the business as well as the fast development of the research activities of the Group, the total headcount was increased from 161 in 2002 to 298 in 2003. The total staff costs, including directors' emoluments, amounted to approximately HK\$120,139,000 for the year under review.

The Group's remuneration policies are in line with the market trend and are determined on the basis of the performance and experience of individual employees. In addition to the basic salaries, the employees also enjoy other fringe benefits such as a provident fund, a medical plan and a share option scheme. Up to now, three lots of share options were granted to employees in September 2002, January 2003 and January 2004 which would allow them to exercise up to a total of 4,226,000 shares, 9,628,000 shares and 10,160,000 shares respectively.

**Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2003 (2002: Nil).

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2003**

	<i>Notes</i>	<u>2003</u> <b>HK\$'000</b>	<u>2002</u> HK\$'000
Turnover	3	27,563	4,948
Cost of sales		<u>(17,689)</u>	<u>(3,533)</u>
Gross profit		9,874	1,415
Other revenue	5	190,251	76,582
Staff costs	6	(99,517)	(67,376)
Depreciation		(18,812)	(17,498)
Amortization of intangible assets		(2,977)	(685)
Other operating expenses		<u>(78,162)</u>	<u>(52,913)</u>
Profit/(loss) from operations		657	(60,475)
Deficit on revaluation of leasehold land and building		-	(28,589)
Share of results of associates		41	-
Profit/(loss) before taxation		<u>698</u>	<u>(89,064)</u>
Taxation	7	-	52
Profit/(loss) before minority interests		<u>698</u>	<u>(89,012)</u>
Minority interests		230	117
Profit/(loss) attributable to shareholders		<u>928</u>	<u>(88,895)</u>
Dividends	8	-	-
Earnings/(loss) per share	9		
- Basic (Hong Kong cents)		<u>0.014 cents</u>	<u>(1.56 cents)</u>
- Diluted (Hong Kong cents)		<u>0.014 cents</u>	N/A



## **NOTES TO FINANCIAL STATEMENTS**

### **1. ORGANIZATION AND OPERATIONS**

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

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 Group reorganized its structure in 2002 for listing of the Company's shares on the GEM of the Stock Exchange. In accordance with the Hong Kong Statements of Standard Accounting Practice 27 "Accounting for Group Reconstructions", the results of the Group for the year 2002 have been prepared on the merger accounting basis as if the current structure of the Group had been in existence throughout the year.

### **3. TURNOVER**

Turnover represents the net amounts received and receivable for sales of environmental friendly fertilizers and nutraceuticals products.

#### 4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

##### a) Business segments

	<b>Eco-agriculture</b>		<b>Nutraceuticals</b>		<b>Consolidated</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<b>23,692</b>	4,948	<b>3,871</b>	-	<b>27,563</b>	4,948
Segment results	<b>(18,849)</b>	(11,923)	<b>(25,207)</b>	-	<b>(44,056)</b>	(11,923)
Business development expenditure					<b>(43,556)</b>	(35,416)
Research and development expenditure					<b>(36,930)</b>	(34,047)
Corporate expenses					<b>(65,052)</b>	(55,671)
Other revenue					<b>190,251</b>	76,582
Profit/(loss) from operations					<b>657</b>	(60,475)
Deficit on revaluation of land and building					-	(28,589)
Share of results of associates					<b>41</b>	-
Profit/(loss) before taxation					<b>698</b>	(89,064)
Taxation					-	52
Profit/(loss) before minority interests					<b>698</b>	(89,012)
Minority interests					<b>230</b>	117
Profit/(loss) attributable to shareholders					<b>928</b>	(88,895)

##### b) Geographical segments

	<b>Turnover</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>3,871</b>	-
Mainland China	<b>16,015</b>	1,644
Other Asian countries	<b>5,664</b>	1,903
Australia	<b>1,323</b>	983
United States of America	<b>690</b>	418
	<b>27,563</b>	4,948

## 5. OTHER REVENUE

Other revenue includes:-

	<u>2003</u>	<u>2002</u>
	HK\$'000	HK\$'000
Interest income from bank	2,686	12,145
Interest income from investments in securities		
- Listed	43,468	18,939
- Unlisted	105,605	33,267
Income from other investments		
- Unlisted	28,863	7,951
Gain on disposal of investments in securities	<u>8,696</u>	<u>3,675</u>

## 6. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$120,139,000 (2002: HK\$82,340,000) of which HK\$20,622,000 (2002: HK\$14,964,000) relating to development activities was capitalized.

Staff costs also include the operating lease rentals of HK\$889,000 (2002: HK\$959,000) in respect of accommodation provided to staff.

## 7. TAXATION

No provision for Hong Kong Profits Tax was made as there was no assessable profit for 2003. The credit balance in 2002 represents over-provision of taxation in prior year written back.

## 8. DIVIDENDS

The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2003 (2002: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

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

	<u>2003</u>	<u>2002</u>
	HK\$'000	HK\$'000
<b>Profit/(loss) for the year</b>		
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	<b>928</b>	(88,895)
<b>Number of shares</b>		
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	<b>6,407,007,562</b>	5,705,158,904
Effect of dilutive potential ordinary shares	<b>1,229,999</b>	N/A
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	<b>6,408,237,561</b>	N/A

No diluted loss per share is presented for the year 2002 as the effect on the exercise of the share options granted by the Company is anti-dilutive.

## 10. MOVEMENTS OF RESERVES

	<b>Share premium</b>	<b>Investment revaluation reserve</b>	<b>Exchange reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>					
<b>2002</b>					
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>2,391,662</b>	<b>46,042</b>	<b>-</b>	<b>(284,320)</b>	<b>2,153,384</b>
<b>2003</b>					
At 1 January 2003	2,391,662	46,042	-	(284,320)	2,153,384
Issue of shares under share option scheme	45	-	-	-	45
Realized on disposal/redemption of investments in securities	-	(11,579)	-	-	(11,579)
Surplus on revaluation of investments in securities	-	29,485	-	-	29,485
Exchange difference on translation of financial statements of overseas operations	-	-	350	-	350
Profit for the year	-	-	-	928	928
<b>At 31 December 2003</b>	<b>2,391,707</b>	<b>63,948</b>	<b>350</b>	<b>(283,392)</b>	<b>2,172,613</b>

## **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 throughout the year, 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**

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

*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).*