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)

SCIENCE FOR GROWTH
SCIENCE FOR LIFE

ANNUAL REPORT 2007

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.

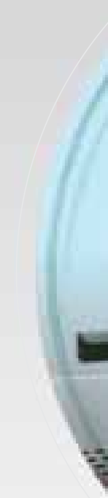
The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to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

This document, 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 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 document 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 document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

ABOUT CK LIFE SCIENCES

CK Life Sciences Int'l., (Holdings) Inc. is a listed company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Bearing the mission of improving the quality of life, CK Life Sciences is engaged in the business of research and development, commercialization, marketing and sale of biotechnology products. Products developed by CK Life Sciences are categorized into the areas of human health and environmental sustainability. A number of inventions have been granted patents by the US Patent and Trademark Office. CK Life Sciences is a member of the Cheung Kong Group.



CHAIRMAN'S STATEMENT

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Group") made steady progress in 2007. The Group's performance was characterized by a combination of organic growth, strategic acquisitions and R&D progress.

Revenue amounted to HK$2.09 billion, an increase of 2% over the same period last year; and profit attributable to shareholders was HK$117 million, up 15% from 2006.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2007.

OPERATIONS HIGHLIGHTS

Steady progress was made across all operations:

(1) Health – Pharmaceuticals

Two pharmaceutical products within the Group are approaching advanced stages of clinical trial. These developments mark new milestones in CK Life Sciences' R&D progress.

One of these products, for pain management, is based on tetrodotoxin, a naturally-occurring compound found primarily in puffer fish. It has received a "No Objection" letter from Health Canada for conducting Phase III clinical trial. Accordingly, we are now making preparations for this next phase.

We are also in the process of developing a vaccine for the treatment of melanoma, the most serious and deadly type of skin cancer. The vaccine uses a combination of antigens from three proprietary cell lines which stimulate the body's immune system to fight tumours. US FDA Phase I and II clinical trials have been carried out and we are now preparing for discussion with US FDA to proceed with Phase III clinical trials.

To date, a number of pre-clinical studies and clinical trials on cancer treatment products have been carried out in partnership with esteemed medical institutions in Hong Kong, Mainland China, the United States, Canada and Australia.

(2) Health – Nutraceuticals

CK Life Sciences' nutraceutical businesses generated sales totaling HK$1.5 billion in 2007, a 7% increase over the same period last year.

Following the acquisitions of Santé Naturelle A.G. Ltée (*Adrien Gagnon*) in 2005 and Vitaquest International Holdings LLC in 2006, we expanded into the Australian nutraceutical market with the acquisition and privatization of Lipa Pharmaceuticals Limited ("Lipa") in 2007. Lipa is a leading Australian contract manufacturer of complementary healthcare and over-the-counter medicines that was previously listed on the Australian Stock Exchange. The addition of this company is poised to enhance the reach of our nutraceutical portfolio, providing an additional revenue channel for the Group.

Through the acquisition of one company each year for the past three years, the Group now has a portfolio of revenue contributors which span Hong Kong, Canada, the United States and Australia.

(3) Agriculture-related Businesses

Revenue of over HK$500 million was recorded by our agriculture-related businesses in 2007.

The Group's eco-fertilizer products are now being marketed and sold in a number of Asian countries including Hong Kong, Mainland China, Malaysia, Vietnam, Thailand, the Philippines, Japan and South Korea, as well as Australia.

In January 2008, the Group enhanced its portfolio of five agriculture operating companies in Australia with the acquisition of Accensi Pty Ltd ("Accensi"), the country's largest independent toll manufacturer of crop protection products. The acquisition of Accensi will give rise to both horizontal and vertical synergies with CK Life Sciences' existing eco-fertilizer businesses in Australia. CK Life Sciences now owns manufacturing facilities in 4 states in Australia, namely South Australia, New South Wales, Western Australia and Queensland. The Group is also the largest supplier of turf management products and services in Australia and the second largest supplier in Australia's home garden products industry. Overall, our Australian businesses performed well in 2007. Given the abundance of rainfall recently in Australia that has ended the longstanding drought, we expect that the prospects will be even better for the agriculture sector.

PROSPECTS

2007 marked our fifth year since listing. A solid business foundation has been established.

Our revenue streams have been enhanced by the organic growth of our existing businesses, as well as through the positive impact of recent acquisitions. The two new companies in Australia will expand the scale and scope of our health and agriculture-related businesses and will contribute to the performance in the coming year. At the same time, we will continue to advance our existing businesses by seeking new opportunities for organic growth and acquisition.

Cancer-related studies will remain the strategic focus of the Group. With significant R&D progress, which saw two products approaching Phase III clinical trials in North America, we will continue to deploy resources to support development in this area.

CK Life Sciences has progressed well in 2007 and we will build on this performance to enhance value for our shareholders in the coming year.

I would like to take this opportunity to thank our shareholders, Board of Directors, staff and business partners for their continued support.

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 17 March 2008

GLOBAL BUSINESS SCOPE

WEX PHARMA

Canada

Pain management product research

POLYNOMA

United States

Melanoma vaccine research

PHARMACEUTICALS

CK LIFE SCIENCES

Hong Kong HQ

NUTRACEUTICALS

VITAQUEST

United States

Custom contract manufacturer

SANTÉ NATURELLE A.G.

Canada

Bestselling Quebec nutraceutical brand

CK CANCER INSTITUTE

Hong Kong

Cancer treatment R&D

AGRICULTURE

ACCENSI

Australia

Toll manufacturer of crop protection products

GREEN VISION

China

Fertilizer business

ECO-FERTILIZER GROUP

Australia

Eco-fertilizer businesses

VITAL CARE

Hong Kong

VitaGain and *AG Natural Health* distributor

LIPA

Australia

Custom contract manufacturer

BUSINESS REVIEW

CK Life Sciences' health businesses saw continued expansion in 2007. It was a very fruitful year for CK Life Sciences' pharmaceutical research as two inventions approached advanced stages of clinical trial. In the nutraceutical segment, the Group's market penetration was deepened and operations were extended into Australia with the acquisition and privatization of a leading Australian contract manufacturer of complementary healthcare and over-the-counter medicines.

HEALTH

BUSINESS REVIEW — HEALTH

PHARMACEUTICALS

R&D in the field of cancer continues to be a major focus for CK Life Sciences. 2007 was a very exciting year for the Group's pharmaceutical division as two inventions approached Phase III clinical trials.

Pain Management Product

A technology platform based on tetrodotoxin ("TTX"), a naturally-occurring sodium channel blocking compound found primarily in puffer fish, has been developed to manage pain. TTX has the positive characteristics of being non-opioid (non-addictive) and non mind or mood altering, as well possessing long-lasting effects and a quick onset time. Studies have shown it to be more potent than morphine, with only mild to moderate reversible side effects.

The pain management product has received a "No Objection" letter from Health Canada to proceed with Phase III clinical trials. Clinical trials of this product are being conducted by WEX Pharmaceuticals Inc. ("WEX Pharma"), a listed company on the Toronto Stock Exchange in which CK Life Sciences holds a significant stake and whose board is chaired by Mr Alan Yu, Vice President and Chief Operating Officer of the Group. In particular, WEX Pharma is focused on developing the product application for an unmet medical need in inadequately controlled cancer-related pain.

Skin Cancer Vaccine

Through its subsidiary, Polynoma, the Group is developing a vaccine for the treatment of melanoma. Using a combination of antigens from three proprietary cell lines, the body's immune system is

R&D in the field of cancer continues to be a major focus of CK Life Sciences' pharmaceutical research.

CK Life Sciences is exploring the potential of a number of different clinical candidates at its R&D operations in Hong Kong, Canada and the United States.

stimulated to fight tumours. US FDA Phase I and II clinical trials have been carried out. The Group is now preparing for further discussion with US FDA to proceed with Phase III clinical trials.

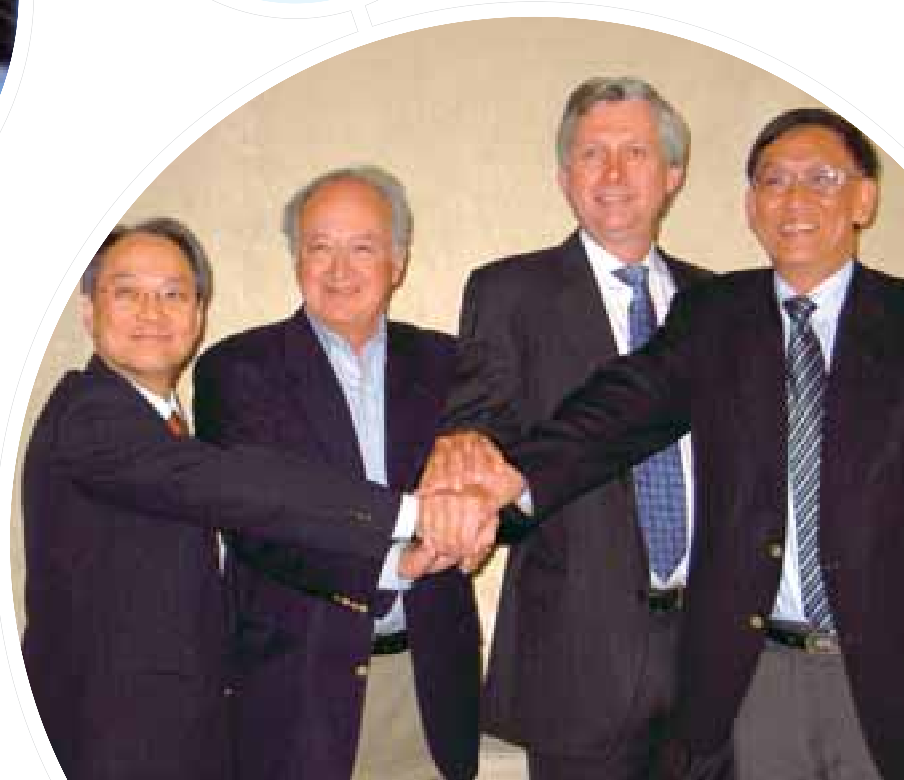
Cancer Treatment Products

CK Life Sciences continues to explore the potential of a number of different clinical candidates at its research and development operations in Hong Kong, Canada and the United States. To date, a number of pre-clinical and clinical trials on cancer treatment products have been carried out in partnership with renowned medical institutions in Hong Kong, Mainland China, the United States, Canada and Australia. Dedicated efforts will be sustained to accelerate the Group's drug discovery process and to bring more valuable health solutions to the market.

A number of pre-clinical and clinical trials have been carried out in partnership with renowned medical institutions all over the world.

The Group's pain management product has received a "No Objection" letter from Health Canada to proceed with Phase III clinical trials.

Through its subsidiary, Polynoma, CK Life Sciences is developing a melanoma vaccine. Pictured here are *(from left to right)* Mr Alan Yu, Vice President and Chief Operating Officer of CK Life Sciences; Professor Jean-Claude Bystryn of New York University, inventor of the melanoma vaccine; Mr Paul Hopper, Director, North America, Polynoma; and Dr K H Chu, Vice President and Chief Scientific Officer of CK Life Sciences.



NUTRACEUTICALS

In 2007, CK Life Sciences achieved continued sales growth in its nutraceutical portfolio that spans Hong Kong, Canada and the United States. With a growing range of effective nutraceutical products that meet the whole spectrum of human needs, the Group is building a strong position in the global healthcare arena. Through the acquisition and privatization of Lipa Pharmaceuticals Limited ("Lipa"), CK Life Sciences has also extended the reach of its nutraceutical portfolio into Australia for the first time.

Hong Kong

In the Hong Kong market, CK Life Sciences has established two leading nutraceutical brands.

Based on CK Life Sciences' own home-grown technology, the VitaGain range has achieved consistent sales in Hong Kong.

Following the acquisition of Santé Naturelle A.G. Ltée in 2005, CK Life Sciences has expanded the *Adrien Gagnon* brand under the more universal brand name of *AG Natural Health*. In Hong Kong, *AG Natural Health* reported its first full year of operations and achieved significant sales growth in 2007. During the year, it has retained its position as the leading western nutraceutical brand in Watsons Your Personal Stores across the territory.

CK Life Sciences expanded into the Australian nutraceutical market for the first time with the acquisition and privatization of Lipa. Pictured here are Mr H L Kam, President and Chief Executive Officer of CK Life Sciences *(third from left)*, and Mr Dusko Pejnovic, Chief Executive Officer of Lipa *(third from right)*, together with other members of Lipa's senior management team.

In Hong Kong, *AG Natural Health* achieved significant sales growth.

Canada

Back in its original home market, *Adrien Gagnon* has maintained the mantle of being the bestselling nutraceutical brand in Quebec, Canada. Satisfactory sales have been recorded.

The United States

As the largest custom contract nutraceutical manufacturer in the United States, Vitaquest International Holdings LLC ("Vitaquest") is a significant part of CK Life Sciences' health portfolio. Following the acquisition of the company in 2006, the period under review represented the first full year of sales and profit contribution. In addition to generating sales for the Group, Vitaquest has also been a source of new formulations, R&D expertise and manufacturing capacity.

Australia

In November 2007, CK Life Sciences expanded into the Australian nutraceutical market for the first time with the acquisition and privatization of Lipa, a leading Australian contract manufacturer of complementary healthcare and over-the-counter medicines that was previously listed on the Australian Stock Exchange. The acquisition is poised to enable the Group to expand the geographical coverage, product portfolio, manufacturing capability and customer base of its nutraceutical business.

Vitaquest has generated sales and profit contribution to CK Life Sciences; it is also a source of new formulations, R&D expertise and manufacturing capacity.

BUSINESS REVIEW

Sound performance was achieved by CK Life Sciences' agriculture-related businesses in 2007. Sales growth was recorded by the Group's eco-fertilizer products in Asia and Australia. Operations in Australia were also further bolstered by the recent acquisition of a toll manufacturer of branded crop protection products.

AGRICULTURE

BUSINESS REVIEW — AGRICULTURE

Over the course of the year, CK Life Sciences has made progress in the expansion of its agriculture-related businesses. The Group's leading environmentally-friendly fertilizer products include the NutriSmart and NutriWiz ranges.

MAINLAND CHINA

The Mainland China market presents great potential for the Group's eco-fertilizer business and the trend of upward sales growth is expected to be maintained. To date, rice, fruit trees and wheat, among others, are crops to which NutriSmart has been successfully applied.

In 2006, the Group launched a new fertilizer product range to the market – NutriWiz. Sales so far have been promising and NutriWiz is already being used in the provinces of Shangdong, Jiangsu and Guangxi in Mainland China. It has been applied on crops such as rice, greenhouse vegetables, bananas and vegetables. The NutriWiz fertilizer series was awarded "The Best Organic Product (Fertilizer Category)" by the 3rd International Organic and Natural Products Fair 2007 in Shanghai, organized by the Organic Food Development Center in China.

AUSTRALIA

Good sales were recorded by the Group's Australian operations. A series of acquisitions over the past few years has significantly expanded CK Life Sciences' agriculture business in Australia.

The recent acquisition of Accensi Pty Ltd ("Accensi") has further extended the Group's Australian portfolio. Accensi's business operations comprise the toll manufacturing and marketing of branded crop protection products, as well as the manufacturing of soluble fertilizers. Both horizontal and vertical synergies are

Good sales were recorded by CK Life Sciences' Australian operations.

generated by the acquisition and the Group's agriculture-related businesses in Australia. The Group now owns manufacturing facilities in 4 states in Australia, namely South Australia, New South Wales, Western Australia and Queensland. CK Life Sciences is also the largest supplier of turf management products and services in Australia and the second largest supplier in Australia's home garden products industry.

EXPORT MARKETS IN ASIA

Overall, satisfactory sales were recorded in CK Life Sciences' Asian export markets, which include Vietnam, the Philippines, Thailand, Malaysia, Taiwan, South Korea and Japan. CK Life Sciences' eco-fertilizer products have been successfully applied on rice, vegetables, oil palm, sugar cane and other crops. In particular, the performance of the Malaysian market was notably strong, with encouraging results from the application to oil palm trees.

The recent acquisition of Accensi has further extended CK Life Sciences' Australian portfolio, generating both horizontal and vertical synergies. Pictured here are *(from left to right)* Mr Dean Corbett, Chief Executive Officer of Accensi; Mr Jerry Mo, Vice President, Finance of CK Life Sciences; and Mr Alan Yu, Vice President and Chief Operating Officer of CK Life Sciences.

The Group is the largest supplier of turf management products and services and the second largest supplier of home garden products in Australia.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' BIOGRAPHICAL INFORMATION

LI TZAR KUOI, VICTOR

aged 43, is the Chairman of the Group since April 2002 and the Chairman of the Remuneration Committee of the Company. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. He is also the Chairman of Cheung Kong Infrastructure Holdings Limited, Deputy Chairman of Hutchison Whampoa Limited, an Executive Director of Hongkong Electric Holdings Limited, Co-Chairman of Husky Energy Inc. and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Victor Li serves as a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region. Mr. Victor Li holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr. Victor Li is son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and nephew of Mr. Kam Hing Lam, President and Chief Executive Officer of the Company. Mr. Victor Li is also a Director of each of (i) Triluck Assets Limited, the management shareholder of the Company, and (ii) Trueway International Limited, (iii) Li Ka Shing Foundation Limited, (iv) Gold Rainbow Int'l Limited, (v) Gotak Limited and (vi) Cheung Kong (Holdings) Limited, all being substantial shareholders of the Company within the meaning of Part XV of the SFO.

KAM HING LAM

aged 61, is the President and Chief Executive Officer of the Group responsible for overall strategic direction and key operating decisions. He has been instrumental in the formation of the Group. He has been with the Group since its establishment in December 1999 and has played a leading role in developing the Group's corporate direction and strategic vision, and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Kam is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, an Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited, and a Non-executive Director of Spark Infrastructure Group. He is a member of the Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a Director of each of (i) Gold Rainbow Int'l Limited, (ii) Gotak Limited and (iii) Cheung Kong (Holdings) Limited, all being substantial shareholders of the Company within the meaning of Part XV of the SFO.

IP TAK CHUEN, EDMOND

aged 55, is the Senior Vice President and Chief Investment Officer responsible for the investment activities of the Group. He joined the Cheung Kong Group in 1993 and the Group in December 1999. He is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, a Non-executive Director of TOM Group Limited and ARA Asset Management Limited, and a Director of ARA Asset Management (Singapore) Limited and ARA Trust Management (Suntec) Limited. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a Director of each of (i) Triluck Assets Limited, the management shareholder of the Company, and (ii) Trueway International Limited, (iii) Gold Rainbow Int'l Limited, (iv) Gotak Limited and (v) Cheung Kong (Holdings) Limited, all being substantial shareholders of the Company within the meaning of Part XV of the SFO.

YU YING CHOI, ALAN ABEL

aged 52, is the Vice President and Chief Operating Officer of the Group responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. Mr. Yu holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson.

CHU KEE HUNG

aged 63, is the Vice President and Chief Scientific Officer of the Group responsible for the technology and product development activities of the Group. Dr. Chu holds a Bachelor of Science from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 20 years' experience in technology project management in the United States, Mainland China and Hong Kong.

TULLOCH, PETER PEACE

aged 64, serves as the Chairman and Non-executive Director of each of Powercor Australia Limited, CitiPower Pty and ETSA Utilities. He is also a Director of each of (i) Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust and (ii) Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust, both being substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Group in April 2002.

WONG YUE-CHIM, RICHARD, SBS, JP

aged 55, currently serves as Deputy Vice-Chancellor of The University of Hong Kong. Professor Wong has been active in advancing economic research on policy issues in Hong Kong and Mainland China through his work as founding Director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Group in June 2002 and is the Chairman of the Audit Committee of the Company.

KWOK EVA LEE

aged 65, currently serves as the Chair and Chief Executive Officer of Amara International Investment Corporation. Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. and Bank of Montreal. She is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation. Mrs. Kwok currently sits on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee of Cheung Kong Infrastructure Holdings Limited. She is also a member of the Conference Board of Canada's Advisory Board for the National Awards in Governance. In addition, she previously sat on the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada. Mrs. Kwok was appointed an Independent Non-executive Director of the Group in June 2002 and is a member of the Audit Committee and the Remuneration Committee of the Company.

RUSSEL, COLIN STEVENS

aged 67, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organizations on business strategy and planning, market development, competitive positioning and risk management. Mr. Russel also acts as the Managing Director of EMAS (HK) Limited and an Executive Director of China Autoparts Group Limited and China Auto International Ltd. He is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and ARA Asset Management Limited, and a Non-executive Director of Husky Energy Inc. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada. Mr. Russel was appointed an Independent Non-executive Director of the Group in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

CHAN CHIN TO

aged 50, is the Vice President, Nutraceuticals Development, of the Group responsible for leading and coordinating global nutraceuticals business activities. He holds a Bachelor's degree in Surveying from The University of Melbourne, Australia. Mr. Chan has over 20 years of marketing and sales experience. He has a diverse experience in leading multinational and local corporations, and he has held a number of positions of increasing responsibility in Procter & Gamble, Swire Resources Ltd., Johnson & Johnson, and American Express International, Inc. Prior to joining the Group in September 2006, he was Sales Director of G2000 (Apparel) Ltd., with P & L and marketing and sales responsibilities for some ten countries from 2004 to 2006.

CHEN YUGUANG

aged 49, is the Technical Services Director of the Group. He holds a Doctor of Philosophy degree in Plant Physiology from The Iowa State University, U.S. He has over 15 years' experience in technology and product development of the agribusiness, seed technology research and basic plant biochemistry and physiology research in the U.S. He has held a number of management positions at Syngenta and Novartis in North America. Prior to joining the Group in April 2002, he was the Manager, Seed Treatment Technology Platform, with Syngenta AG (NAFTA Region), where he contributed to the discovery of a new seed and agrochemicals technology.

FONG MEI SUN, LINDA

aged 42, is Finance Director of the Group. She holds a Master's degree in Business Administration in Finance and International Business from the University of St. Thomas, U.S. and a Bachelor's degree in Accounting from Sam Houston State University, U.S. She is also a member of The American Institute of Certified Public Accountants, and a Certified Public Accountant of The Texas State Board of Public Accountancy. She has over 15 years' experience in financial management and accounting in both Hong Kong and the U.S. and has worked in a number of multinational corporations including Motorola Semiconductors (now known as Freescale Semiconductor), Owens Corning, and Whirlpool. Prior to joining the Group in March 2008, she was Senior Business Analysis Manager of The Hongkong and Shanghai Banking Corporation Ltd. from 2004 to 2006.

HON KING SANG, DENNIS

aged 53, is the Legal Counsel of the Group and has been with the Group since June 2002. He holds a Master of Laws degree from The University of London and a Master of Science degree in Electronic Commerce and Internet Computing from The University of Hong Kong. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and of the Supreme Court of Judicature in England and Wales. He has over 25 years' experience in legal and acquisition and has held a number of senior positions with a variety of corporations including Jardine Matheson, and CEF Holdings Ltd.

KAN YING CHE, RUTH

aged 51, is the General Manager of Vital Care Hong Kong Limited. She holds a Master's degree in Business Administration from the University of Hull, U.K., and a Bachelor's degree in French and German from the University of Manchester, U.K. She has over 20 years' experience in strategic marketing, brand building, retail market research, and event management. She has held a number of senior management positions in major corporations including the Vocational Training Council, NBC Asia, TVB International and Survey Research Group (now known as AC Nielson). Prior to joining the Group in October 2005, she was Vice President, Marketing of Galaxy Satellite Broadcasting Ltd. (a joint venture of TVB and Intelsat) from 2003 to 2004.

LAM HAK LOONG, DANIEL

aged 54, is the Business Development Director of the Group. He holds a Doctor of Business Administration from the University of South Australia. He has over 30 years' experience in sales, marketing and general management in major multinational and local organizations and with extensive management exposure to marketing and development of various products including food, beverage and innovation technology. Dr. Lam has held a number of senior positions in H.J. Heinz, Hop Hing Holdings Ltd., Kentucky Fried Chicken and Coca-Cola. Prior to joining the Group in March 2002, he was the General Manager, Marketing & Promotions, with Hong Kong Science & Technology Parks Corporation responsible for marketing the Hong Kong Science Park to innovation technology corporations.

LEE MAI KUEN, JANE

aged 48, is the Personnel Manager of the Group, and has been with the Cheung Kong Group since December 1995, and joined the Group in March 2002. She holds a Master of Science degree in Training and Human Resource Management from The University of Leicester, U.K., and is a member of the Hong Kong Institute of Human Resource Management. She has over 20 years' experience in human resource management gained within the Cheung Kong Group, and from multinational research-based pharmaceutical corporations including Glaxo (now known as GlaxoSmithKline) and Schering-Plough.

LIN JIAN-ER

aged 52, is the Director, Product Development, of the Group. He holds a Doctor of Philosophy degree in Chemical Engineering from the University of Michigan, U.S. with over 20 years' experience in research and development on biochemical/chemical processes and products. Dr. Lin has extensive experience in biotechnology and process optimization, scale-up and validation for agricultural, environmental, industrial and household products. He has held a number of senior positions in leading corporations in the U.S. including Celgene Corporation, Technical Resources Inc., and Sybron Biochemicals (now known as Novozymes Biologicals). Prior to joining the Group in December 2003, he was Director, Process Development & Product Scale-Up with AgraQuest Inc., U.S.

MAN HON WAN

aged 55, is the Sales Director of Vital Care Hong Kong Limited and has been with the Cheung Kong Group since September 2000. He holds a Master's degree of Business Administration from Hong Kong Baptist University and has over 30 years' experience in marketing and sales. He has worked in major corporations including G2000 (Apparel) Ltd., American Express International, Inc., and J. Walter Thompson Co. Ltd. Prior to joining the Group in January 2005, he was Senior Project Manager of Cheung Kong Infrastructure Holdings Limited.

MO YIU LEUNG, JERRY

aged 48, is the Vice President, Finance, of the Group responsible for all finance and administration functions of the Group. Mr. Mo holds a Bachelor's degree in Accounting and Data Processing from Leeds University, U.K. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years' experience in financial management, accounting and auditing in the manufacturing sector. He has held a variety of senior management positions in major corporations including Peak International, Pacific Dunlop (Australia) and Price Waterhouse (now known as PricewaterhouseCoopers) (U.K. & Hong Kong). Prior to joining the Group in October 2005, Mr. Mo was Chief Financial Officer of Fong's Industries Company Limited.

NAM CHEUNG CHING, ADRIAN

aged 38, is the Internal Audit Manager of the Group. He holds a Master of Science degree in Organizational Behaviour and a Bachelor of Science degree in Accounting and Finance both from The University of London. He also holds a Master's degree in Professional Accounting. He is an Associate of The Institute of Chartered Accountants in England and Wales, a Member of The Institute of Chartered Accountants in Australia, and a Certified Information Systems Auditor. He has over 15 years' experience and has worked with PricewaterhouseCoopers, The Stock Exchange of Hong Kong, and Securities and Futures Commission. Prior to joining the Group in June 2002, he was Manager, Compliance Divisions, of Mandatory Provident Fund Schemes Authority.

TOH KEAN MENG, MELVIN

aged 41, is Vice President, Clinical & Regulatory Affairs, of the Group. Dr. Toh earned his MBBS medical degree from The National University of Singapore, and is registered with the Singapore Medical Council and General Medical Council, U.K. He also holds a Master's degree in Epidemiology from the University of London. Dr. Toh has over 15 years' experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the U.S. Prior to joining the Group in January 2008, he was Director of Clinical Pharmacology in Oncology Development, Pfizer Global R&D, U.S., where he headed a team of scientists working on the clinical development of new cancer drugs. In his last role in Singapore prior to relocating to the U.S., he was Head and Medical Director of the Pfizer Clinical Research Unit at the Singapore General Hospital.

TONG BARNES WAI CHE, WENDY

aged 47, is the Chief Corporate Affairs Officer responsible for the overall corporate activities of the Group including public relations and marketing communications. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and Cheung Kong Infrastructure Holdings Limited. She holds a Bachelor's degree in Business Administration from The University of Hawaii at Manoa, U.S. and has had experience in a number of industries, including hotel, property, telecommunications, media, infrastructure, retail and energy and held a number of senior positions with major corporations including Wharf Holdings Ltd., Hong Kong Cable Communications Ltd. and Mass Transit Railway Corporation (now known as MTR Corporation Limited). Prior to joining the Cheung Kong Group, she was the Managing Director of Bozell Tong Barnes PR. Ms. Tong Barnes joined the Group in January 2002.

XIE WEIDONG

aged 53, is the Director, Therapeutics Research, of the Group. He holds a Doctor of Philosophy degree in Biology from Imperial College, the University of London. He has over 20 years' experience in research and development and is specialized in molecular biology and protein chemistry. He performed his post-doctoral fellowship in Microbiology at the University of Guelph, Canada. He also served at the Biotech Center at Zhongshan University, China, and Novopharm (now known as Viventia Biotech Ltd.) in Canada. Prior to joining the Group in September 2005, he was Director, Tetramer Facility of St. Jude Children's Research Hospital, Tennessee, U.S.

YEUNG, EIRENE

aged 47, the Company Secretary, has been with the Cheung Kong Group since August 1994 and she joined the Group in January 2002. Ms. Yeung is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong (Holdings) Limited; Alternate Director to Mr. Kam Hing Lam, Group Managing Director of Cheung Kong Infrastructure Holdings Limited; and a Director of ARA Asset Management (Singapore) Limited. Ms. Yeung is a member of the Dual Filing Advisory Group of the Securities and Futures Commission, a member of the Board of Review (Inland Revenue Ordinance) and a member of the Companies Ordinance Rewrite Advisory Group; and was a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region ("HKSAR") from 2005 to 2007. She is a solicitor of the High Court of HKSAR and of the Supreme Court of Judicature in England and Wales, and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.

FINANCIAL SUMMARY

	2003	2004	2005	2006	2007
	Year ended 31 December				
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated results summary					
Turnover	192,268	311,499#	691,004#	2,047,622#	**2,091,592**
Profit/(loss) attributable to equity holders of the Company	(738)*	(3,968)*	12,234	102,022	**117,001**

	2003	2004	2005	2006	2007
	As at 31 December				
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated balance sheet summary					
Non-current assets	2,515,897	2,310,811	2,830,045	4,616,436	**5,009,065**
Current assets	343,832	751,996	850,838	1,315,218	**1,930,920**
Current liabilities	(46,292)	(149,596)	(365,333)	(520,195)	**(884,144)**
Non-current liabilities	–	(68,223)	(531,463)	(449,435)	**(789,109)**
Total net assets	2,813,437	2,844,988	2,784,087	4,962,024	**5,266,732**
Equity attributable to equity holders of the Company	2,813,316	2,795,705	2,736,260	4,946,453	**5,151,313**
Minority interests	121	49,283	47,827	15,571	**115,419**
Total equity	2,813,437	2,844,988	2,784,087	4,962,024	**5,266,732**

* Figures have been restated to reflect the change in accounting policy for the adoption of HKFRS2 "Share-based Payment" effective from 1 January 2005.

\# As detailed in note 7 to the financial statements, figures have been restated to conform with the current year presentation.

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2007, the financial and liquidity position of the Group continued to be sound and healthy. It obtained its finances mainly from internal sources such as cash generated from business activities as well as external source such as bank borrowings.

The external financing by bank loans was mainly for the purpose of acquiring the Group's overseas businesses. As at 31 December 2007, the total bank loans and overdrafts amounted to HK$849,838,000. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, the overseas subsidiaries had also pledged to banks all their assets which had a carrying value of HK$210,259,000 as at 31 December 2007 for loans and overdrafts of HK$139,292,000. The total finance costs of the Group for the year were HK$34,232,000.

At the end of 2007, the total assets of the Group were about HK$6,939,985,000, of which bank balances and deposits were about HK$807,022,000 and marketable securities were about HK$546,863,000. The total investment income and bank interest generated for the year were HK$112,361,000 and HK$17,928,000 respectively.

The total net assets of the Group as at 31 December 2007 were HK$5,266,732,000, representing an increase of 6% as compared to the same reported last year. The net asset value of the Group was increased from HK$0.52 per share in 2006 to HK$0.55 per share in 2007. The gearing ratio of the Group as at 31 December 2007 was approximately 0.86%, which is calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK$807,022,000) over the equity attributable to equity holders of the Company.

The Group's treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to interest rates fluctuation. It would monitor its overall net debt position closely, review its funding costs and maturity profile regularly and take necessary actions to facilitate refinancing whenever appropriate. To mitigate the currency exchange risk arising from overseas investments which consist of non-HK dollar assets, the Group would generally establish a natural hedge with an appropriate level of borrowings in the same currencies of the overseas investments. As such, same as the previous years, all the bank loans of the Group for the year under review were denominated in foreign currencies.

MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In November 2007, the Group completed the acquisition of 100% stake in Lipa Pharmaceuticals Limited ("Lipa") (the "Acquisition"). Lipa is a company incorporated in Australia and was listed on the ASX Limited before the Acquisition. The principal activities of Lipa are the contract manufacturing of complementary healthcare medicines, including herbal medicines, vitamins and nutritional supplements, as well as the production of non-sterile prescription and over-the-counter medicines. The Acquisition constitutes a major transaction under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and details of which are incorporated in a circular issued on 20 October 2007.

As detailed in the circular of the Company dated 22 June 2007, a disposal of the Group's equity interests in Nanjing Green Union Eco-Technology Limited ("NJLP"), Jiangsu Technology Union Eco-fertilizer Limited ("Jiangsu Technology") and Jiangsu Prosperous Union Crop Sciences Limited ("JSJB") was completed in the first half of the year. The total consideration of the disposal is RMB53,775,000 (approximately HK$54,851,000). After the disposal, the Group ceased to have any interests in NJLP and JSJB, and the Group's interests in Jiangsu Technology was reduced to 25%. Such disposal constitutes a major transaction under the GEM Listing Rules.

Other than the aforementioned, there was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$51,298,000 in 2007.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2007, the total capital commitments by the Group amounted to HK$1,913,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

INFORMATION ON EMPLOYEES

The total number of full-time employee of the Group was 1,333 at the end of 2007, and is 171 more than the total headcount of 1,162 at the end of 2006. The total staff costs, including director's emoluments, amounted to approximately HK$488.1 million for the year under review, which represents an increase of 3.7% as compared to the same of the previous year. The increases in headcount and staff costs were mainly due to the inclusion of Lipa as a new member of the Group in 2007.

The Group's remuneration policies and fringe benefits remained basically the same as before. The Group would ensure the pay levels of its employees are competitive and are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2007 (2006: Nil).

RISK FACTORS

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

HIGHLY COMPETITIVE MARKETS

The Group's principal business operations face significant competition across the markets in which they operate as well as rapid technological change. New market entrants, the intensified price competition among existing competitors and the acceptability of the Group's products by the market could adversely affect the Group's financial condition, results of operation or growth prospects. Likewise, product innovation and technical advancement may render the Group's existing and potential applications and products and its own research and development efforts obsolete or non-competitive.

RESEARCH AND DEVELOPMENT

The research and development activities conducted by the Group is a lengthy and expensive process involving a lot of trial testing in order to demonstrate that the products are effective and in some cases safe for commercial sale. Successful results in the early stage of the trial process may, upon further review, be revised or negated by regulatory authorities or by later stage trial results and there is no assurance that any of the research and development activities will produce positive results.

In addition, recruiting and retaining qualified scientific personnel to perform research and development work will be critical to the success of the Group and there can be no assurance that the Group will be able to attract and retain such personnel on acceptable terms given the competition for experienced scientists from numerous specialized biotechnology firms, pharmaceutical and chemical companies, universities and other research institutions. Failure to recruit and retain such skilled personnel could delay the research and development and product commercialization programs of the Group.

Some of the Group's operations are subject to extensive and rigorous government regulations relating to the development, testing, manufacture, safety, efficacy, record-keeping, labeling, storage, approval, advertising, promotion and sale and distribution of the products. The regulatory review and approval process (which requires the submission of extensive data and supporting information to establish the products' safety, efficacy and potency) can be lengthy, expensive and uncertain and there can be no assurance that any of the Group's products will be approved for marketing and sale. The policies or administrative standards of the relevant regulatory bodies may change from time to time and there can be no assurance that products that have been approved for marketing and sale do not need to be recalled at a later stage in order to comply with subsequent new requirements.

INTELLECTUAL PROPERTY

The success of the Group will depend in part on whether it is able to obtain and enforce patent protection for its products and processes. No assurance can be given as to whether patent rights may be granted to the Group and that the patents granted will be sufficiently broad in their scope to provide protection and exclude competitors with similar products. Even when granted the patents may still be susceptible to revocation or attack by third parties. It is also not possible to determine with certainty whether there are any conflicting third party rights which may affect the Group's current commercial strategy and intellectual property portfolios.

INDUSTRY TRENDS AND INTEREST RATES

The trends in the industries in which the Group operates, including the market sentiment and conditions, the consumption power of the general public, mark to market value of securities investments, the currency environment and interest rates cycles, may pose significant impact on the Group's results. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect its financial condition or results of operations.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial condition or results of operations. The volatility and fluctuation in the stock markets, both local and abroad, and the subprime crisis in the United States may also adversely affect the income to be derived by the Group from its finance and treasury activities.

CURRENCY FLUCTUATIONS

The results of the Group is recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures had been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial condition or results of operations.

STRATEGIC PARTNERS

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint venture, which may affect the Group's financial condition or results of operations.

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

The local business risks in different countries and cities in which the Group operates could have a material impact on the financial condition, results of operations and growth prospects of the businesses in the relevant market. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned capital expenditure, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenues and profit.

IMPACT OF NEW ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") had issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") which were generally effective on or after 1 January 2005. HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS might or could have a significant impact on the Group's financial position or results of operations.

CONNECTED TRANSACTIONS

Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") and Hutchison Whampoa Limited ("Hutchison") are also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with Cheung Kong Holdings and Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and accordingly any transactions entered into between the Group and Cheung Kong Holdings, its subsidiaries or associates and between the Group and Hutchison, its subsidiaries or certain of its associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the GEM Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as increase the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

MERGERS AND ACQUISITIONS

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaking, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances of the analysis could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these mergers and acquisitions activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to increase in costs, time and resources. For merger and acquisitions activities undertaken in overseas countries, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the activities of its subsidiaries are research and development, manufacturing, commercialization, marketing and selling of environmental and human health products, as well as investment in various financial and investment products.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 95.

The Directors do not recommend the payment of a final dividend.

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 31 to the financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 98.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 159 and their biographical information is set out on pages 18 to 21.

In accordance with the Company's Articles of Association, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Yu Ying Choi, Alan Abel, Dr. Chu Kee Hung and Mr. Colin Stevens Russel will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code on Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the shares of the Company

		Number of Ordinary Shares					
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Beneficial owner & beneficiary of trusts	2,250,000	–	–	4,258,634,570 (Note)	4,260,884,570	44.33%
Kam Hing Lam	Interest of child or spouse	–	6,225,000	–	–	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Chu Kee Hung	Beneficial owner	2,250,000	–	–	–	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	–	–	–	1,050,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	375,000	–	–	–	375,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	–	–	–	200,000	0.002%

Note:

Such 4,258,634,570 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of Cheung Kong Holdings and thus is taken to be interested in those 4,258,634,570 shares held by the subsidiary of Cheung Kong Holdings under the SFO.

(2) Long positions in the underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 26 June 2002 ("Scheme"), certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31 December 2007 were as follows:

		Number of share options						
Name of Director	Date of grant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2007	Option period	Subscription price per share HK$
Yu Ying Choi,	30/9/2002	348,440	–	–	–	348,440	30/9/2003 - 29/9/2012	1.422
Alan Abel	27/1/2003	775,560	–	–	–	775,560	27/1/2004 - 26/1/2013	1.286
	19/1/2004	775,560	–	–	–	775,560	19/1/2005 - 18/1/2014	1.568
Chu Kee Hung	30/9/2002	348,440	–	–	–	348,440	30/9/2003 - 29/9/2012	1.422
	27/1/2003	775,560	–	–	–	775,560	27/1/2004 - 26/1/2013	1.286
	19/1/2004	775,560	–	–	–	775,560	19/1/2005 - 18/1/2014	1.568

Save as disclosed above, during the year ended 31 December 2007, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31 December 2007, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has adopted the Scheme under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

(1) Summary of the Scheme

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

(b) Participants of the Scheme

Pursuant to the Scheme, the Company may grant share options to (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) Directors (whether Executive Directors, Non-executive Directors or Independent Non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; and (iv) biotechnological, scientific, technical, financial and legal professional advisers engaged by the Company or any of its subsidiaries or associated companies.

(c) Total number of shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 15 July 2002, the total number of shares of the Company available for issue upon exercise of the options which may be granted pursuant to the Scheme and any other share option schemes of the Company is 640,700,000 shares, being 6.7% of the total number of shares of the Company in issue as at the date of this annual report and the same must not exceed 30% of the total number of shares of the Company in issue from time to time pursuant to the Scheme.

(d) Maximum entitlement of each participant

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share option schemes of the Company to each participant in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares of the Company in issue.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than ten years to be notified by the Board of Directors of the Company ("Board") to each participant which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted in accordance with the Scheme and expire on the last day of such period as determined by the Board. There is no minimum period for which an option must be held before it can be exercised.

(f) Payment on acceptance of option offer

HK$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant and received by the Company within 14 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

(g) Basis of determining the subscription price

The subscription price per share of the Company under the Scheme is a price determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (a "Trading Day"), (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Trading Days immediately preceding the date of offer, and (iii) the nominal value of a share of the Company.

(h) Remaining life of the Scheme

The Scheme will remain valid until 25 June 2012 after which no further options will be granted but in respect of all options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

The other principal terms of the Scheme are set out in the Company's prospectus dated 4 July 2002.

(2) Details of options granted by the Company

As at 31 December 2007, options to subscribe for an aggregate of 14,544,109 shares of the Company granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above) pursuant to the Scheme were outstanding, details of which were as follows:

	Number of share options							
Date of grant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Option period	Subscription price per share HK$
30/9/2002	2,869,010	–	–	(312,472)	–	2,556,538	30/9/2003 - 29/9/2012 (Note 1)	1.422
27/1/2003	6,294,623	–	–	(691,372)	–	5,603,251	27/1/2004 - 26/1/2013 (Note 2)	1.286
19/1/2004	7,279,024	–	–	(894,704)	–	6,384,320	19/1/2005 - 18/1/2014 (Note 3)	1.568

Notes:

1. The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting periods:
   (i) up to 35% of the options commencing on 30 September 2003;
   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and
   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

2. The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting periods:
   (i) up to 35% of the options commencing on 27 January 2004;
   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 27 January 2005; and
   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 27 January 2006.

3. The options are exercisable from 19 January 2005 to 18 January 2014 (both days inclusive) subject to the following vesting periods:
   (i) up to 35% of the options commencing on 19 January 2005;
   (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 19 January 2006; and
   (iii up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 19 January 2007.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2007, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or were otherwise notified to the Company were as follows:

(1) Long positions of substantial shareholders in the shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	4,258,634,570	44.30%
Gotak Limited	Interest of a controlled corporation	4,258,634,570 (Note i)	44.30%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,258,634,570 (Note ii)	44.30%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,258,634,570 (Note iii)	44.30%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,258,634,570 (Note iii)	44.30%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	4,258,634,570 (Note iii)	44.30%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,258,634,570 (Note iv)	44.30%
Trueway International Limited	Beneficial owner	2,119,318,286	22.05%
Li Ka Shing Foundation Limited	Interest of controlled corporations	2,835,759,715 (Note v)	29.50%

(2) Long position of other person in the shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	716,441,429	7.45%

Notes:

i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SFO.

ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.

iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. TDT1 as trustee of DT1 and TDT2 as trustee of DT2 hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. Under the SFO, each of TUT as trustee of the LKS Unity Trust, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares as Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.

iv. As Mr. Li Ka-shing owns one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT, TDT1 and TDT2 and is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in the same number of shares in which Cheung Kong Holdings is deemed to be interested as mentioned above under the SFO.

v. Trueway International Limited ("Trueway") and Triluck Assets Limited ("Triluck") are wholly-owned by Li Ka Shing Foundation Limited ("LKSF") and LKSF is deemed to be interested in a total of 2,835,759,715 shares under the SFO, being the aggregate of the shares in which Trueway and Triluck were interested as shown against the names Trueway and Triluck above.

Save as disclosed above, as at 31 December 2007, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

During the year, the interests of Directors, management shareholders of the Company or their respective associates as defined in the GEM Listing Rules (the "Associates") in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the GEM Listing Rules were as follows:

(1) Core business activities of the Group

(i) Research and development, manufacturing, commercialization, marketing and selling of environmental and human health products.

(ii) Investment in various financial and investment products.

(2) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note 2)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director and Deputy Chairman (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director (Note 1)	(ii)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note 1)	(ii)
	Hutchison Whampoa Limited	Executive Director (Note 1)	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director (Note 1)	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director	(ii)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(ii)
	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(i) & (ii)
	TOM Group Limited	Non-executive Director	(ii)
	CATIC International Holdings Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
	The Ming An (Holdings) Company Limited	Non-executive Director	(ii)
	ARA Asset Management Limited	Non-executive Director	(ii)
Wong Yue-chim, Richard	Great Eagle Holdings Limited	Independent Non-executive Director	(ii)
	Orient Overseas (International) Limited	Independent Non-executive Director	(ii)
Kwok Eva Lee	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
Colin Stevens Russel	Cheung Kong Infrastructure Holdings Limited	Independent Non-executive Director	(i) & (ii)
	ARA Asset Management Limited	Independent Non-executive Director	(ii)

Notes:

1. Apart from holding the directorships, Mr. Li Tzar Kuoi, Victor and Mr. Kam Hing Lam and/or their respective family members have direct and/or indirect interests in the shares of such companies where appropriate.
2. Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors, the management shareholders of the Company or their respective Associates have any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions of the Group during the year ended 31 December 2007 under the GEM Listing Rules:

(1) Framework Agreement

The Existing Framework Agreement (as defined and more particularly described in the circular of the Company dated 18 December 2006 (the "Framework Circular")) and the period covered by the written shareholders' approval dated 20 September 2004 from a closely allied group of shareholders of the Company, namely Gold Rainbow, Trueway and Triluck, had expired on 31 December 2006.

On 24 November 2006, the Company entered into a New Framework Agreement (as defined and more particularly described in the Framework Circular) with 南京紅太陽股份有限公司 (Nanjing Red Sun Stock Co Ltd) ("Red Sun"), under which members of the Group and members of the Red Sun Group (as defined in the Framework Circular) might sell or purchase fertilizers and related agricultural products and provide ancillary services to or from each other by entering into individual sales and/or services contracts for a term of three years commencing from 1 January 2007 to 31 December 2009 (hereinafter referred to as the "Continuing Connected Transactions I"). Red Sun was a substantial shareholder of a non wholly-owned subsidiary of the Company as at the time of signing the New Framework Agreement and hence, was then a connected person of the Company under the GEM Listing Rules.

The Continuing Connected Transactions I cannot exceed the relevant annual caps set out below:

	For the year ended 31 December 2007	For the year ending 31 December 2008	For the year ending 31 December 2009
Caps	HK$147,000,000	HK$173,000,000	HK$200,000,000

During the year, the value of sales and purchases of fertilizers and related agricultural products and the provision of ancillary services between members of the Group and members of the Red Sun Group pursuant to the New Framework Agreement amounted to HK$2,533,000. Details of the Continuing Connected Transactions I were disclosed in the Framework Circular and the Continuing Connected Transactions I have been approved by means of written shareholders' approval on 24 November 2006 pursuant to the GEM Listing Rules from a closely allied group of shareholders of the Company, namely Gold Rainbow, Trueway and Triluck which have no interests in the Continuing Connected Transactions I other than through their equity interests in the Company.

On 1 June 2007, members of the Group entered into the Agreements (as defined and more particularly described in the circular of the Company dated 22 June 2007) with 南京第一農藥集團有限公司 (Nanjing First Agricultural Chemical Group Ltd) (the "Purchaser") under which the Purchaser agreed to purchase and (i) Rimco Resources Limited ("Rimco"), a wholly-owned subsidiary of the Company, agreed to sell (a) 64.51% equity interests in 南京綠邦生態科技有限公司 (Nanjing Green Union Eco-Technology Limited), a company owned as to 64.51% by Rimco and as to 35.49% by Red Sun, and (b) 22.13% equity interests in 江蘇科邦生態肥有限公司 (Jiangsu Technology Union Eco-fertilizer Limited), a company owned as to 47.13% by Rimco, as to 47.12% by Red Sun and as to 5.75% by 江蘇長江涂料有限公司 (Jiangsu Chang Jiang Painting Material Company Limited); and (ii) Kantin Limited ("Kantin"), a wholly-owned subsidiary of the Company, agreed to sell 49% equity interests in 江蘇振邦農作物科技有限公司 (Jiangsu Prosperous Union Crop Sciences Limited), a company owned as to 49% by Kantin and as to 51% by a subsidiary of Red Sun. After completion of the Agreements, Red Sun ceased to be a connected person of the Company (as defined in the GEM Listing Rules) and therefore, the Continuing Connected Transactions I has accordingly ceased to be continuing connected transactions for the Group.

(2) Lease Agreements

On 1 March 2005, Vitaquest International LLC, a subsidiary of the Company, entered into lease agreements ("Lease Agreements") (as defined and more particularly described in the announcement of the Company dated 30 March 2006 (the "VQ Announcement")) with Leknarf Associates, LLC ("Leknarf"), under which the leases of the Premises (as defined and more particularly described in the VQ Announcement) from Leknarf or its predecessor were renewed for a term of fifteen years commencing from 1 March 2005 (hereinafter referred to as the "Continuing Connected Transactions II"). The rents for the three leases of the Premises for each subsequent lease year shall be the rents for the prior lease year increased at the fixed rate of 2% per annum. As at the date of the VQ Announcement, the annual rental for the three leases were approximately US$228,000 (approximately HK$1,774,000), approximately US$1,127,000 (approximately HK$8,768,000) and approximately US$551,000 (approximately HK$4,287,000) respectively. During the year, the rentals paid to Leknarf for the three leases pursuant to the Lease Agreements amounted to US$232,290 (HK$1,812,000), US$1,145,870 (HK$8,938,000) and US$559,980 (HK$4,368,000) respectively. The rents for the three leases have the same payment terms and are to be paid by monthly instalments in advance on the first day of each and every calendar month during the lease period. Leknarf is an associate of an individual investor, who is in turn a substantial shareholder of a non wholly-owned subsidiary of the Company. Leknarf is therefore a connected person of the Company under the GEM Listing Rules. According to Rule 20.41 of the GEM Listing Rules, the Lease Agreements are subject to the reporting and disclosure requirements under Chapter 20 of the GEM Listing Rules.

Details of the Continuing Connected Transactions II were disclosed in the VQ Announcement.

(3) Supply Agreements

The Existing CKH Supply Agreement and the Existing HIL Supply Agreement (both as defined and more particularly described in the circular of the Company dated 19 April 2005 (the "Supply Circular")) and the period covered by the approval given by the independent shareholders of the Company at the Company's extraordinary general meeting held on 26 September 2003 in respect thereof had expired on 31 December 2005.

On 29 March 2005, the Company entered into a New CKH Supply Agreement and a New HIL Supply Agreement (both as defined and more particularly described in the Supply Circular) with Cheung Kong Holdings, a substantial shareholder of the Company, and Hutchison International Limited ("HIL"), an associate of Cheung Kong Holdings under the GEM Listing Rules, respectively, under which (a) the Company agreed to continue to provide and/or procure members of the Group to provide the Products (as defined in the Supply Circular) to the CKH Group and the HIL Group (both as defined in the Supply Circular) for a term of three years commencing from 1 January 2006 to 31 December 2008; (b) Cheung Kong Holdings agreed to continue to purchase and/or procure members of the CKH Group (in respect of associates of Cheung Kong Holdings which are not subsidiaries of Cheung Kong Holdings, to procure with reasonable endeavours only) to purchase the Products from the Group for use or consumption and/or for sale and distribution by the CKH Group both locally and overseas on a non-exclusive basis; and (c) HIL agreed to continue to purchase and/or procure members of the HIL Group (in respect of those members of the HIL Group in which HIL is directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of voting power at general meetings of such companies, to procure with reasonable endeavours only) to purchase the Products from the Group for sale and distribution by the HIL Group both locally and overseas on a non-exclusive basis. In connection with the supply of the Products by the Group to the HIL Group, relevant members of the Group may make the Sales Related Payments (as defined in the Supply Circular) to relevant members of the HIL Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or merchandizing services to be rendered by the HIL Group) (all transactions mentioned above being collectively referred to as the "Continuing Connected Transactions III").

The Continuing Connected Transactions III cannot exceed the relevant annual caps set out below:

	Annual caps (in HK$)		
Category of the Continuing Connected Transactions III	For the year ended 31 December 2006	For the year ended 31 December 2007	For the year ending 31 December 2008
1. The value of the Products to be provided under the transactions under or pursuant to the New CKH Supply Agreement	200,000	300,000	400,000
2. Transactions under or pursuant to the New HIL Supply Agreement:			
(a) the value of the Products to be provided to the HIL Group;	70,000,000	120,000,000	200,000,000
(b) the value of the Sales Related Payments payable by the Group	21,000,000	36,000,000	60,000,000

During the year, the value of the Products provided by the Group to the CKH Group pursuant to the New CKH Supply Agreement amounted to HK$274,000 whereas the value of the Products provided by the Group to the HIL Group and the value of the Sales Related Payments paid by the Group to the HIL Group pursuant to the New HIL Supply Agreement amounted to HK$23,249,000 and HK$2,287,000 respectively. Details of the Continuing Connected Transactions III were disclosed in the Supply Circular and the Continuing Connected Transactions III have been approved by the independent shareholders of the Company at the Company's annual general meeting held on 12 May 2005.

All the Continuing Connected Transactions I, the Continuing Connected Transactions II and the Continuing Connected Transactions III (collectively referred to as the "Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that for the year 2007 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 20.38 of the GEM Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have performed these procedures and reported their factual findings to the Board that the Continuing Connected Transactions for the year 2007 (i) have received the approval of the Board and (ii) have not exceeded the relevant caps set out above; and the samples that the auditors selected for the Continuing Connected Transactions were entered into in accordance with the relevant agreements governing such transactions and were in accordance with the Group's pricing policies.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Continuing Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's turnover attributable to the Group's five largest customers were less than 30% of the Group's turnover and the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's purchases.

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

Donations made by the Group during the year amounted to HK$654,381.

DISCLOSURE UNDER RULE 17.23 OF THE GEM LISTING RULES

On 13 May 2005, two indirect wholly-owned subsidiaries of the Company had each entered into a loan facility letter with HSBC Bank Canada ("Loan Facility Agreements") in connection with or arising out of the acquisition of the entire issued and outstanding shares in the capital of Développement Santé Naturelle A.G. Ltée. One of the Loan Facility Agreements is for a 3-year term loan and the other is for an operating facility (together the "Facilities") under which the Company guarantees the obligations of its wholly-owned subsidiaries under the Facilities. As at 31 December 2007, the outstanding balance of the Facilities amounted to HK$125,901,000. The provisions of the Loan Facility Agreements require that unless the Facilities have been repaid in full, at least 44.01% direct or indirect interest in the Company will have to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). This obligation has been complied with.

AUDITORS

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

On behalf of the Board
Li Tzar Kuoi, Victor
Chairman

Hong Kong, 17 March 2008

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("GEM Listing Rules") throughout the year ended 31 December 2007.

Key corporate governance principles and corporate governance practices of the Company are summarized below:

I. CODE PROVISIONS

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**The Board** ***Corporate Governance Principle*** *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.1	Regular board meetings at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors	✓	• The Board meets regularly and held meetings in March, May, August and November 2007. • Details of Directors' attendance records in 2007:

Members of the Board	Attendance
Executive Directors	
LI Tzar Kuoi, Victor *(Chairman)*	4/4
KAM Hing Lam *(President and Chief Executive Officer)*	4/4
IP Tak Chuen, Edmond	4/4
YU Ying Choi, Alan Abel	4/4
CHU Kee Hung	4/4
Non-executive Directors	
Peter Peace TULLOCH *(Non-executive Director)*	4/4
WONG Yue-chim, Richard *(Independent Non-executive Director)*	4/4
KWOK Eva Lee *(Independent Non-executive Director)*	4/4
Colin Stevens RUSSEL *(Independent Non-executive Director)*	4/4

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.1 (cont'd)			• The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company's Articles of Association.
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	✓	• All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	– At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	✓ ✓	• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend. • At least 14 days formal notice would be given before each regular meeting.
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	✓	• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.
A.1.5	– Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. – Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	✓ ✓	• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings. • Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting. • Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.6	– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached. – Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting.	✓ ✓	• Minutes record in sufficient details the matters considered by the Board/Board Committees and decisions reached. • Directors are given an opportunity to comment on draft Board minutes. • Final version of Board minutes is placed on record within a reasonable time after the Board meeting.
A.1.7	– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense – The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.	✓ ✓	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.8	– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held. – Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	✓ ✓	• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his/her interest in the matters to be passed in the resolution, if applicable. • If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.
A.2	**Chairman and Chief Executive Officer** ***Corporate Governance Principle*** *There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.*		
A.2.1	– Separate roles of chairman and chief executive officer not to be performed by the same individual – Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	✓ ✓	• The positions of the Chairman of the Board and the Chief Executive Officer are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Chief Executive Officer, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2007. Details of the attendance records of the meetings are as follows: **Chairman/Non-executive Directors — Attendance** LI Tzar Kuoi, Victor *(Chairman)* — 2/2 Peter Peace TULLOCH *(Non-executive Director)* — 2/2 WONG Yue-chim, Richard *(Independent Non-executive Director)* — 2/2 KWOK Eva Lee *(Independent Non-executive Director)* — 2/2 Colin Stevens RUSSEL *(Independent Non-executive Director)* — 2/2 Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company's Articles of Association.
A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	✓	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3	**Board composition**		
	Corporate Governance Principle *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	✓	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 159. • The Directors' biographical information and the relationships among the Directors are set out on pages 18 to 21. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.
A.4	**Appointments, re-election and removal**		
	Corporate Governance Principle *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	✓	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4.2	– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. – Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	✓ ✓	• In accordance with the Company's Articles of Association, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the Board) following their appointment. • The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. • All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices. • The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the GEM Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5	**Responsibilities of directors**		
	Corporate Governance Principle *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.1	– Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary. – To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the GEM Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	✓ ✓	• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director of the Company and the business operation of the Company. • A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the GEM Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. The revised "Non-statutory Guidelines on Directors' Duties" issued by the Companies Registry of Hong Kong in October 2007 has been forwarded to each Director for his/her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • During the year, seminars were organized at which distinguished professionals were invited to present to the Directors on subjects such as directors' duties and balancing the benefits and costs of corporate governance, etc. The attendance rate was about 90%.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2	The functions of non-executive directors include: – independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings – take the lead on potential conflicts of interests – serve on the audit, remuneration, nomination and other governance committees, if invited – scrutinize the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance	 ✓ ✓ ✓ ✓	• The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. • Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	✓	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I for details of attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his necessary knowledge and expertise.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.4	– Directors must comply with the Model Code. – Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	✓ ✓	• The Company has adopted the model code on securities transactions by directors of listed issuers ("Model Code") set out in Chapter 5 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions effective 31 March 2004. • Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31 December 2007. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Personnel Manual of the Company.
A.6	**Supply of and access to information** ***Corporate Governance Principle*** *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
A.6.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting – So far as practicable for other board or board committee meetings	✓ ✓	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.6.2	– Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. – The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	✓ ✓	• The Company Secretary and the Qualified Accountant attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.3	– All directors are entitled to have access to board papers and related materials. – Steps must be taken to respond as promptly and fully as possible to queries raised by directors.	✓ ✓	• Please see A.6.2 of Part I above.

B.	REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT
B.1	**The level and make-up of remuneration and disclosure** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors	✓	• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors. • The Company established its Remuneration Committee on 1 January 2005. • The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. • Since the publication of the Company's 2006 annual report in March 2007, meetings of the Remuneration Committee were held in November 2007 and January 2008. Details of the attendance records of the members of the Remuneration Committee are as follows:

Members of the Remuneration Committee	Attendance
LI Tzar Kuoi, Victor *(Chairman of the Remuneration Committee)*	2/2
KWOK Eva Lee	2/2
Colin Stevens RUSSEL	2/2

Note: The members of the Remuneration Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) or proxies in accordance with the Company's Articles of Association.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.1 (cont'd)			• The following is a summary of the work for the Remuneration Committee during the said meetings: 1. Review of the remuneration policy for 2007/2008; 2. Review of the remuneration of Non-executive Directors; 3. Review of the annual performance bonus policy; and 4. Approval of remuneration packages of Executive Directors.
B.1.2	The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	✓	• The Remuneration Committee has consulted the Chairman and/or the Chief Executive Officer about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. • The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.3	Terms of reference of the remuneration committee include: – determine specific remuneration packages of all executive directors and senior management – review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment – ensure that no director or any of his associates is involved in deciding his own remuneration	✓	• The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• The terms of reference of the Remuneration Committee are posted on the Company's website. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	✓	• The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**Financial reporting** ***Corporate Governance Principle*** *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	✓	• Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.
C.1.2	– The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. – Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.	✓ ✓ ✓	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices. • With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 94.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.2 (cont'd)	– When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	N/A	
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual, half-year and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	✓	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorize the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2	**Internal controls**		
	Corporate Governance Principle *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.1	– Directors to review effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report – The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	✓ ✓	• The Directors, through the audit committee of the Company ("Audit Committee"), have conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries. The review covers all material controls, including financial, operational and compliance controls and risk management functions. • The Board has overall responsibility for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. *Organizational Structure* An organizational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. *Authority and Control* The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (cont'd)			*Budgetary Control and Financial Reporting* Budgets are prepared and are subject to the approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations. *Internal Audit* The Internal Audit Department provides an independent appraisal of the Group's financial and operational activities, and makes constructive recommendations to the relevant management for necessary actions. The results of internal audit reviews and corresponding remedial actions taken are reported to the senior management and Audit Committee periodically. The annual work plan of the Internal Audit Department focuses on those areas of the Group's activities with significant perceived risks and the plan is reviewed and endorsed by the Audit Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3	**Audit Committee**		

Corporate Governance Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1	– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. – Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting.	✓ ✓	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. • Audit Committee meetings were held in March, May, August and November 2007. Details of the attendance records of members of the Audit Committee are as follows:

Members of the Audit Committee	Attendance
WONG Yue-chim, Richard *(Chairman of the Audit Committee)*	4/4
KWOK Eva Lee	4/4
Colin Stevens RUSSEL	4/4

Note: The members of the Audit Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) or proxies in accordance with the Company's Articles of Association.

- The following is a summary of the work of the Audit Committee during 2007:
  1. Review of the financial reports for 2006 annual results and 2007 first quarter, half-year and third quarter results;
  2. Review of the findings and recommendations of the Internal Audit Department on the work of various divisions/departments and related companies;
  3. Review of the effectiveness of the internal control system;
  4. Review of the external auditors' audit findings;
  5. Review of the auditors' remuneration;
  6. Review of risks of different business units and analysis thereof provided by the relevant business units; and
  7. Review of the control mechanisms for such risks and advising on action plans for improvement of the situations.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (cont'd)			• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 17 March 2008 that the system of internal controls was adequate and effective. • On 17 March 2008, the Audit Committee met to review the Group's 2007 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. After review and discussions with the management, internal auditors and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2007 Annual Report complied with the applicable accounting standards and Chapter 18 of the GEM Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31 December 2007. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditors for 2008 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2008 annual general meeting. • The Group's Annual Report for the year ended 31 December 2007 has been reviewed by the Audit Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	✓	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.
C.3.3	Terms of reference of the audit committee include: – recommendation to the board on the appointment and removal of external auditors and approval of their terms of engagement – review and monitor external auditors' independence and effectiveness of audit process – review of financial information of the company – oversight of the company's financial reporting system and internal control procedures	✓	• Terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• The GEM Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1 January 2005 in terms substantially the same as the provisions set out in the Code on CG Practices. The revised terms of reference of the Audit Committee are available on the Company's website. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment. • The Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The Audit Committee held four meetings in 2007.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditors for 2008. • For the year ended 31 December 2007, the external auditors of the Company received approximately HK$7,306,000 for audit services and approximately HK$9,198,000 for non-audit services, comprising reporting accountants on acquisition and disposal of business of approximately HK$2,904,000, tax compliance and advisory services of approximately HK$3,096,000 and consultancy services of approximately HK$3,198,000.
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	✓	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	✓	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 93. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the GEM Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	Formalize functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	✓	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Chief Executive Officer, management is responsible for the day-to-day operations of the Group.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.2	**Board Committees**		
	Corporate Governance Principle *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	✓	• Two Board Committees, namely, Audit Committee and Remuneration Committee have been established with specific terms of reference as mentioned in C.3.3 and B.1.3 of Part I above.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	✓	• Board Committees report to the Board of their decisions and recommendations at Board meetings.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.	COMMUNICATION WITH SHAREHOLDERS		
E.1	**Effective communication** ***Corporate Governance Principle*** *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	✓	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual directors.
E.1.2	– The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting. – The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	✓ ✓	• In 2007, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting and were available to answer questions. • The Company establishes different communication channels with shareholders and investors, including (i) printed copies of financial reports, circulars, notices of general meetings and proxy forms required under the GEM Listing Rules, and shareholders can select to receive such documents by electronic means; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group is available on the website of the Company; (iv) the Company's website offers a main communication channel between the Company and its shareholders and stakeholders; (v) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2	**Voting by Poll**		
	Corporate Governance Principle *The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in GEM Listing Rules and the constitutional documents of the Company.*		
E.2.1	– The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll.	✓	• In 2007, the right to demand a poll was set out in the circulars issued during the year, where appropriate, pursuant to the requirements of the GEM Listing Rules. • In 2007, Chairman of the annual general meeting exercised his power under the Articles of Association of the Company to put each resolution set out in the notice to be voted by way of a poll.
	– The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.	✓	
	– If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	✓	

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2.2	– The company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. – The company should ensure that votes cast are properly counted and recorded.	✓ ✓	• Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the annual general meeting. • Poll results were announced at the adjourned meeting and were posted on the websites of the Company and the Stock Exchange.
E.2.3	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: – the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and – the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.	✓ ✓	• At the 2007 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, which had also been set out in the circular containing the notice of annual general meeting, and then answered any questions from shareholders. • At the 2007 annual general meeting, the Chairman of the meeting exercised his power under the Articles of Association of the Company to put each resolution set out in the notice to be voted by way of a poll.

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**The Board** ***Corporate Governance Principle*** *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.9	Arrange appropriate insurance cover in respect of legal action against the directors	C	• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since its listing in 2002 including the year 2007/2008.
A.1.10	Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8. A.1.1 Regular board meetings at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors	E	• Apart from the Audit Committee, the Company has a Remuneration Committee. The principal responsibility of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of its Directors and senior management, which, in line with normal market practice, are only subject to review on an annual basis. It is therefore not necessary for the Remuneration Committee to have four meetings a year as recommended. • The Remuneration Committee held two meetings in respect of the year of 2007. The meeting held in November 2007 was to provide the Remuneration Committee with an overview of the job market conditions and trends for the year, and the meeting held in January 2008 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.2 All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All members of the Board Committees are consulted as to whether they may want to include any matter in the agenda before the agenda for each Board Committee meeting is issued. • Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend. • At least 14 days formal notice would be given before each Board Committee meeting. • Board Committee members have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board Committees for ensuring that Board Committee procedures, and all applicable rules and regulations, are followed. • The Company Secretary prepares minutes/written resolutions and keeps records of substantive matters discussed and decisions resolved at Board Committee meetings. • Board Committee minutes/written resolutions are sent to all Board Committee members within a reasonable time (generally within 14 days) after each Board Committee meeting. • Board Committee minutes/written resolutions are available for inspection by Board Committee members.
	A.1.3		
	– At least 14 days notice for regular board meetings	C	
	– Reasonable notice for other board meetings	C	
	A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	C	
	A.1.5		
	– Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.	C	
	– Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.6 – Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached. – Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting.	C C	• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached. • Board Committee members are given an opportunity to comment on draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting. • Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	A.1.7 – A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense – The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her duties to the company.	C C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.8 – If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.	C	• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable. • In case of conflict of interests, relevant Directors refrain from voting. Mr. Victor Li, the Chairman of the Board, is also the Chairman of the Remuneration Committee. He refrained from voting at decisions made in respect of his own remuneration package.
	– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2	**Chairman and Chief Executive Officer**		
	Corporate Governance Principle *There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.*		
A.2.4	– Chairman to provide leadership for the board	C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board.
	– The chairman should ensure that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner.	C	• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in March, May, August and November 2007. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues on a timely manner.
	– The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate such responsibility to a designated director or the company secretary.	C	• The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2007. Details of the attendance records of the meetings are set out on page 50.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors, including (i) printed copies of financial reports, circulars, notices of general meetings and proxy forms required under the GEM Listing Rules, and shareholders can select to receive such documents by electronic means; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group is available on the website of the Company; (iv) the Company's website offers a main communication channel between the Company and its shareholders and stakeholders; (v) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3	**Board composition** ***Corporate Governance Principle*** *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	C	• The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees.
		E	• The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4	**Appointments, re-election and removal** ***Corporate Governance Principle*** *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.3	– If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. – The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.	C C	• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and was independent in accordance with the terms of the guidelines. While the Company has in accordance with the recommended best practices to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as all their credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8	– The company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors. – The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties. – It is recommended that the nomination committee should discharge the following duties:- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes; (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;	E	• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. • At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer. • Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. The Company uses a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (cont'd)	(c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.		• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.
	– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board.		
	– The nomination committee should be provided with sufficient resources to discharge its duties.		
	– Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.		• Please refer to A.4.3 of Part II for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5	**Responsibilities of directors** ***Corporate Governance Principle*** *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.5	All directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development programme.	C	• The Company regularly reminds all Directors of their functions and responsibilities. Through regular Board meetings and the circulation of written resolutions, memos and board papers, all Directors are kept abreast of the conduct, business activities and development of the Company. • A package compiled and reviewed by the Company's legal advisers setting out the duties and responsibilities of directors under the GEM Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. The revised "Non-statutory Guidelines on Directors' Duties" issued by the Companies Registry of Hong Kong in October 2007 has been forwarded to each Director for his/her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • During the year, seminars were organized at which distinguished professionals were invited to present to the Directors on subjects such as directors' duties and balancing the benefits and costs of corporate governance, etc.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organizations and other significant commitments, identifying the public companies or organizations involved.
A.5.7	Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I for details of attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I for details of attendance records.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**The level and make-up of remuneration and disclosure** ***Corporate Governance Principle*** *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.6	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	C	• A significant proportion of Executive Directors' remuneration has been structured so as to link rewards to corporate and individual performance in 2007. Please refer to note 37 in the Notes to the Financial Statements for details of discretionary bonus.
B.1.7	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	E	• The remuneration payable to senior management represents only a small portion of the turnover and profits of the Company. As a matter of practice, disclosing details of the remuneration payable to senior management on an individual basis does not bring significant benefits or provide useful information to the shareholders.
B.1.8	Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.2	**Internal controls** ***Corporate Governance Principle*** *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.2	The board's annual review should, in particular, consider:		• The Board, through the Audit Committee, reviews annually the effectiveness of system of internal control of the Company and its subsidiaries. This review considers: – the changes since the last annual review in the nature and extent of significant risks, and how the Company responds to changes in its business and the external environment; – the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and the work of the Internal Audit Function; – the extent and frequency of the communication of the results of the monitoring, which enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed; – any incidence of significant control failings or weaknesses identified and the extent that they have caused unforeseeable outcomes or contingencies that could have material impact on the Company's financial performance or condition; and – the effectiveness of the Company's processes relating to financial reporting and GEM Listing Rules compliance.
	– the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;	C	
	– the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;	C	
	– the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed;	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.2 (cont'd)	– the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and	C	
	– the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.	C	

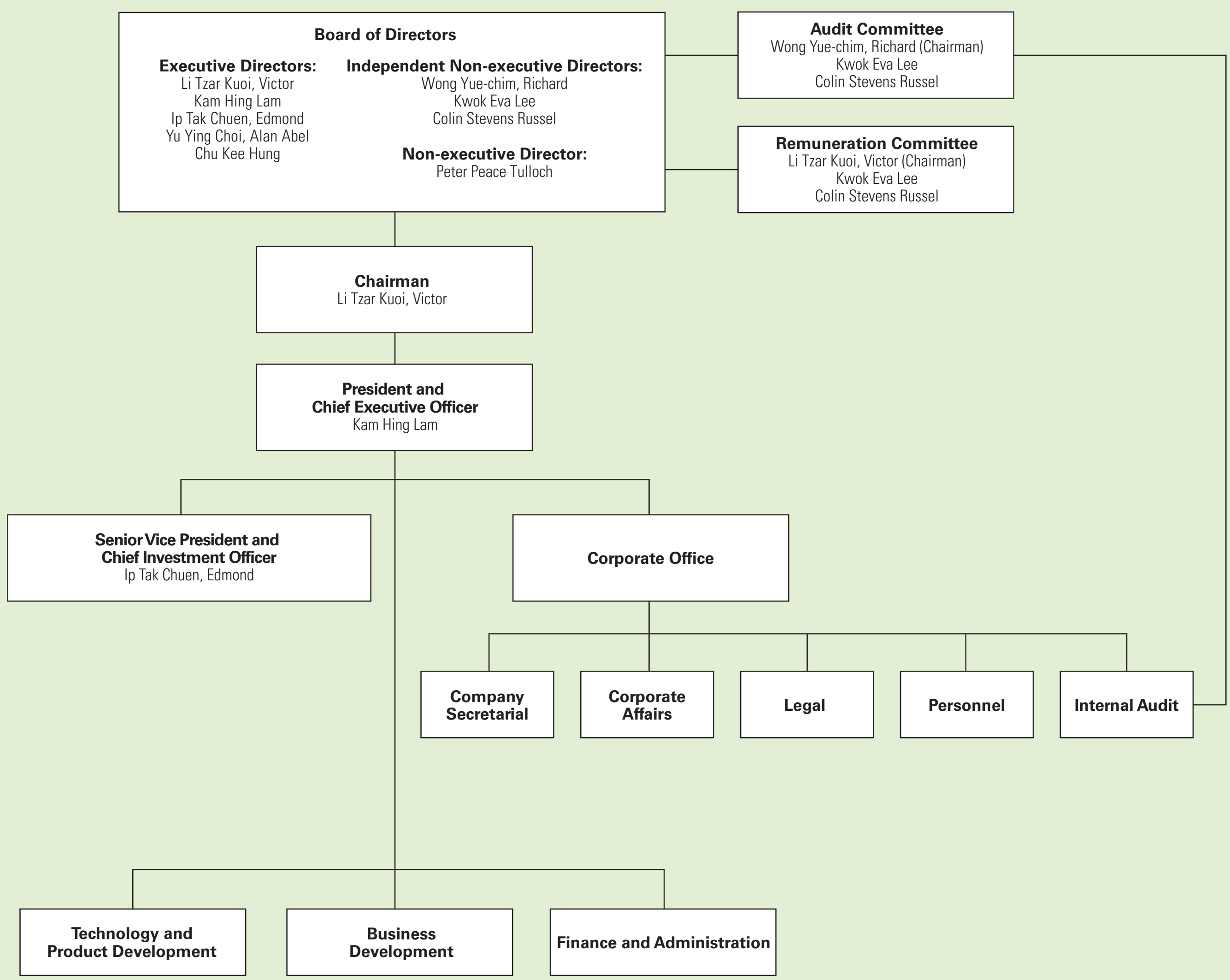
Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.3	The company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items:		• In addition to the disclosures illustrated in C.2.1 of Part I above, the process used by the Board, through the Audit Committee, for compliance with the code provisions on internal control during the report period is listed below:
	– the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;	C	– the process used by the Board, through the Audit Committee, for identifying and evaluating and managing the significant risks includes (i) assigning responsibility to the senior management of each major business unit to identify and evaluate the risks underlying the achievement of business objectives, and to determine controls required to mitigate those risks; (ii) Internal Audit Department performs its own annual risk assessment on each major business unit for determination of audit plan; and (iii) assessment on the effectiveness of the related system of internal control in managing the significant risks;
	– any additional information to assist understanding of the company's risk management processes and system of internal control;	C	
	– an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness;	C	– the Board acknowledges that it is responsible for the system of internal control and for reviewing its effectiveness at least once annually;

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.3 (cont'd)	– the process that the company has applied in reviewing the effectiveness of the system of internal control; and – the process that the company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.	C C	– the process used by the Board, through the Audit Committee, in reviewing the effectiveness of the system of internal control includes (i) the review of significant risks reported by the Internal Audit Department; (ii) the review of internal audit plan; and (iii) the review of significant issues arising from internal (and external) audit reports; and – the process used by the Board, through the Audit Committee, to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts includes (i) evaluation of its impact on the Company; (ii) taking necessary and prompt actions to remedy it; and (iii) consideration of a need for more extensive monitoring of the system of internal control in related area.
C.2.4	The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.	C	• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.
C.2.5	The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the company's Corporate Governance Report.	N/A	• Please refer to C.2 of Part I for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3	**Audit Committee**		
	Corporate Governance Principle *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.7	The terms of reference of the audit committee should also require the audit committee:		
	– to review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and	E	• The Company has issued a Personnel Manual to its staff, which contains the mechanism for employees to raise any questions they may have to their department head and to the Personnel Department for necessary action (whether these relate to their career development or any other grievances and complaints they may have). The Company considers such mechanisms to be sufficient to ensure that there is a channel for employees to have a direct communication with the management of the Company.
	– to act as the key representative body for overseeing the company's relation with the external auditor.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 93.
D.1.4	Directors should clearly understand delegation arrangements in place. To that end, the company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	E	• It is not the Company's practice to have formal letters of appointment for its Directors. Nevertheless, Directors clearly understand their duties to the Company, to which they are collectively and individually responsible for. In addition, part of these duties relate to fiduciary duties, duties of skill, care and diligence established under common law over a long period of time, and it is not feasible to attempt to formulate these comprehensively in writing. The difficulty in reducing these comprehensively into written form has been shared by the Companies Registry of Hong Kong, which has decided, instead of setting out these duties in the Companies Ordinance, to issue only non-statutory guidelines on directors' duties. To have a formal letter of appointment may also lead to inflexibility.

MANAGEMENT STRUCTURE CHART



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TO THE MEMBERS OF
CK LIFE SCIENCES INT'L., (HOLDINGS) INC.
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 158, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Turnover	7	2,091,592	2,047,622
Cost of sales		(1,355,539)	(1,266,015)
		736,053	781,607
Other income, gains and losses	8	45,788	78,958
Staff costs	9	(298,148)	(283,269)
Depreciation		(33,067)	(31,888)
Amortization of intangible assets		(33,005)	(22,282)
Other operating expenses		(349,699)	(389,745)
Gain on disposal of associates		2,712	–
Gain on disposal of a subsidiary		2,100	–
Finance costs	10	(34,232)	(37,866)
Share of results of associates		(5,510)	2,930
Profit before taxation		32,992	98,445
Taxation	11	82,319	(1,653)
Profit for the year	12	115,311	96,792
Attributable to:			
Equity holders of the Company		117,001	102,022
Minority interests		(1,690)	(5,230)
		115,311	96,792
Earnings per share	13		
–Basic		1.22 cents	1.16 cents
–Diluted		1.22 cents	1.16 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	581,853	358,180
Prepaid lease for land	16	12,388	12,700
Intangible assets	17	3,770,114	3,077,477
Interests in associates	18	59,164	72,909
Convertible debentures issued by an associate	18	24,895	–
Available-for-sale investments	19	150,101	155,727
Investments at fair value through profit or loss	20	323,230	920,265
Deferred taxation	30	87,320	19,178
		5,009,065	4,616,436
Current assets			
Investments at fair value through profit or loss	20	55,104	12,709
Derivative financial instruments	21	18,428	19,544
Inventories	22	382,841	320,489
Receivables and prepayments	23	667,525	502,852
Deposit with financial institution	24	40,131	47,931
Bank balances and deposits	25	766,891	411,693
		1,930,920	1,315,218
Current liabilities			
Payables and accruals	26	(672,262)	(438,286)
Derivative financial instruments	21	(55,889)	(63,630)
Bank overdrafts	25	(13,391)	–
Bank loans	27	(125,901)	–
Finance lease obligations	28	(752)	(2,222)
Taxation		(15,949)	(16,057)
		(884,144)	(520,195)
Net current assets		1,046,776	795,023
Total assets less current liabilities		6,055,841	5,411,459
Non-current liabilities			
Bank loans	27	(710,546)	(322,877)
Finance lease obligations	28	(937)	(1,505)
Loan from a minority shareholder	29	(27,574)	(23,828)
Deferred taxation	30	(50,052)	(101,225)
		(789,109)	(449,435)
Total net assets		5,266,732	4,962,024

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	31	**961,107**	961,107
Share premium and reserves		**4,190,206**	3,985,346
Equity attributable to equity holders of the Company		**5,151,313**	4,946,453
Minority interests		**115,419**	15,571
Total equity		**5,266,732**	4,962,024

Li Tzar Kuoi, Victor
Director

Ip Tak Chuen, Edmond
Director

17 March 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	640,738	2,392,185	(27,602)	(35)	8,186	(277,212)	2,736,260	47,827	2,784,087
Gain on fair value changes of available-for-sale investments	–	–	4,657	–	–	–	4,657	–	4,657
Exchange difference on translation of financial statements of overseas operations	–	–	–	27,261	–	–	27,261	2,742	30,003
Income recognized directly in equity	–	–	4,657	27,261	–	–	31,918	2,742	34,660
Profit for the year	–	–	–	–	–	102,022	102,022	(5,230)	96,792
Total recognized income and expenses for the year	–	–	4,657	27,261	–	102,022	133,940	(2,488)	131,452
Shares issued under rights issue	320,369	1,762,030	–	–	–	–	2,082,399	–	2,082,399
Transaction costs arising from rights issue	–	(6,672)	–	–	–	–	(6,672)	–	(6,672)
Employees' share options benefits	–	–	–	–	526	–	526	–	526
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	7,705	7,705
Arising from acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(1,709)	(1,709)
Arising from disposal of a subsidiary	–	–	–	–	–	–	–	(44,607)	(44,607)
Fair value adjustments on loan from minority shareholders	–	–	–	–	–	–	–	12,827	12,827
Deferred tax liability of fair value adjustments on loan from minority shareholders	–	–	–	–	–	–	–	(3,984)	(3,984)
At 1 January 2007	961,107	4,147,543	(22,945)	27,226	8,712	(175,190)	4,946,453	15,571	4,962,024
Gain on fair value changes of available-for-sale investments	–	–	7,556	–	–	–	7,556	–	7,556
Exchange difference on translation of financial statements of overseas operations	–	–	–	71,249	–	–	71,249	–	71,249
Income recognized directly in equity	–	–	7,556	71,249	–	–	78,805	–	78,805
Profit for the year	–	–	–	–	–	117,001	117,001	(1,690)	115,311
Release on disposal of a subsidiary	–	–	–	(912)	–	–	(912)	(7,662)	(8,574)
Release on disposal of associates	–	–	–	(3,628)	–	–	(3,628)	–	(3,628)
Release on disposal of available-for-sale investments	–	–	13,594	–	–	–	13,594	–	13,594
Total recognized income and expenses for the year	–	–	21,150	66,709	–	117,001	204,860	(9.352)	195,508
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	109,200	109,200
Employee's share option lapse during the year	–	–	–	–	(1,421)	1,421	–	–	–
At 31 December 2007	961,107	4,147,543	(1,795)	93,935	7,291	(56,768)	5,151,313	115,419	5,266,732

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Profit before taxation		32,992	98,445
Share of results of associates		5,510	(2,930)
Finance costs		34,232	37,866
Depreciation		47,424	45,971
Amortisation of prepaid lease for land		312	635
Loss on disposal of available-for-sale investments		2,408	–
Net gain on investment at fair value through profit or loss		(19,758)	(38,657)
Net (gain)/loss on derivative financial instruments		(2,986)	37,929
Loss/(gain) on disposal of property, plant and equipment		466	(343)
Gain on disposal of associates		(2,712)	–
Gain on disposal of a subsidiary		(2,100)	–
Interest income		(17,928)	(18,193)
Amortization of intangible assets		33,005	22,282
Net impairment of trade receivables		612	8,701
Inventories written off		4,710	4,108
Share-based payment		–	526
Operating cash flows before working capital changes		116,187	196,340
Decrease/(Increase) in inventories		19,619	(68,414)
Decrease/(Increase) in receivables and prepayments		58,816	(7,618)
(Decrease)/Increase in payables and accruals		(190,930)	42,626
Profits tax paid		(3,479)	(3,701)
Net cash from operating activities		213	159,233
Investing activities			
Purchases of property, plant and equipment and addition of prepaid lease for land		(38,506)	(66,344)
Proceeds from disposal of property, plant and equipment		2,531	3,739
Increase in interest in an associate		(37,824)	–
Purchase of subsidiaries	38	(628,588)	(1,244,799)
Disposal of associates		(177)	–
Disposal of subsidiaries	38	(4,269)	(11,746)
Purchase of convertible debentures issued by an associate		(28,050)	–
Purchases of investments at fair value through profit or loss		(243,122)	(508,147)
Purchase of available-for-sale investments		(101)	–
Proceeds from disposal of investments at fair value through profit or loss		817,519	929,358
Proceeds from disposal of available-for-sale investment		174,469	–
Expenditure on intangible assets		(59,250)	(53,036)
Decrease/(Increase) in deposit with financial institution		7,800	(8,931)
Repayment of debt investment		–	211,166
Interest received		17,471	22,006
Net cash used in investing activities		(20,097)	(726,734)

	Note	2007 HK$'000	2006 HK$'000
Financing activities			
Issue of shares		–	2,082,399
Expenses on issue of shares		–	(6,672)
New bank loans		509,123	–
Repayment of bank loans		(118,427)	(1,433,489)
Finance leases obligations repaid		(2,304)	(127)
Interest paid		(33,971)	(37,866)
Repayment of loan from a minority shareholder of a subsidiary		(1,075)	–
Net cash from financing activities		353,346	604,245
Net increase in cash and cash equivalents		333,462	36,744
Cash and cash equivalents at beginning of the year		411,693	372,433
Effect of foreign exchange rate changes		8,345	2,516
Cash and cash equivalents at end of the year	25	753,500	411,693

1. ORGANIZATION AND OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information and Key Dates" of the Group's annual report.

The financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialization, marketing and selling of environmental and human health products, as well as investment in various financial and investment products. Particulars regarding the principal subsidiaries are set out in Appendix I.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretations (collectively "New Standards") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the current accounting period. Except for the adoption of HKFRS 7 "Financial Instruments: Disclosures" and the amendment to HKAS 1 "Capital Disclosures", which require certain additional disclosures as detailed below, the adoption of the New Standards had no material impact on how the financial statements of the Group for the current or prior financial years have been prepared and presented. Accordingly, no prior year adjustment has been required.

HKFRS 7 requires expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial Instruments: Disclosure and Presentation". These disclosures are provided throughout these financial statements, particularly in note 6.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 5.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

The Group has not early applied the following new/revised standards and interpretations that have been issued but are not yet effective for the financial period beginning 1 January 2007. However, the directors of the Company anticipate that the application of these new/revised standards and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA as well as the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(a) Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective dates of acquisition to the end of the year or up to the effective dates of disposal as the case may be.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost or fair value less accumulated depreciation and impairment loss. Building held for use in the supply of goods or services, or for administrative purpose is stated in the balance sheet at its revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Any revaluation increase arising on revaluation of building is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/accumulated losses.

Depreciation is provided to write off the cost or fair value of an item of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Building	2.5% to 10% or over the terms of the lease, whichever is shorter
Laboratory instruments, plant and equipment	6%-33 1/3%
Furniture, fixtures and other assets	4%-50%

Assets held under finance leases are depreciated on the same basis as owned assets, or, where shorter, the term of the relevant lease.

Freehold land is carried at its revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

No depreciation is provided on freehold land and construction in progress. Depreciation will commence on the same basis as other assets of the same category when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year in which the item is derecognized.

(d) Prepaid lease for land

Leasehold land premiums are up-front payments to acquire interests in leasehold properties. The premiums are stated at cost and are charged to the income statement over the period of the lease on a straight-line basis.

(e) Intangible assets

i. Development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activities. Capitalized development costs are stated at cost less amortization and impairment losses. Amortization of development costs is charged to the income statement on a straight-line basis over the estimated useful lives of the underlying products of 10 years.

ii. Patents

On initial recognition, patents acquired separately and from business combinations are recognized at cost and at fair value respectively. After initial recognition, patents are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

iii. Goodwill

Goodwill arising from business combination represents the excess of costs of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Such goodwill is carried at cost less any accumulated impairment losses.

A discount on acquisition arising from business combination represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognized immediately in the income statement.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

iv. Trademarks

On initial recognition, trademarks acquired from business combinations are recognized at fair value at the acquisition date. Trademarks with indefinite useful lives are not amortized but are tested for impairment annually, and whenever there is an indication that they may be impaired, by comparing their carrying amounts with their recoverable amounts. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

v. Other intangible assets (including customer relationship and distribution network)

On initial recognition, other intangible assets acquired from business combinations are recognized at fair value at the acquisition date. After initial recognition, other intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

(f) Impairment

At the relevant reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill and intangible assets with indefinite useful lives which are disclosed in note (e) above) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of an asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but such reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets/cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are carried in the balance sheet at cost plus the Group's share of their aggregate post-acquisition results and reserves less dividends received and provision for any identified impairment loss. Results of associates are incorporated in the income statement to the extent of the Group's share of the post-acquisition profits or losses calculated from their financial statements made up to the financial year end of the Group. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payment on behalf of that associate.

(h) Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset/liability, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

i. Investments at fair value through profit or loss

The financial assets/liabilities at fair value through profit or loss held by the Group are debt securities with embedded derivatives not separated, derivative financial instruments or securities held for trading purpose. They are carried at fair value, with any changes in fair value being recognized in the consolidated income statement. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

ii. Available-for-sale investments

Available-for-sale investments are non-derivative instruments that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are carried at fair value, with any changes in fair value being recognized in investment revaluation reserve. Upon disposal or when these financial assets are determined to be impaired, the cumulative gain or loss previously recognized in investment revaluation reserve is removed from the reserve and recognized in the consolidated income statement (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at costs less any indentified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

iii. Loans and receivables

Loans and receivables (including debt portion of convertible debentures issued by an associate, receivables, deposits and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

iv. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

iv. Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

v. Other financial liabilities

Other financial liabilities including bank loans, other loans and payables are measured at amortized cost using the effective interest method.

vi. Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

vii. Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

(j) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Sales of goods are recognized when goods are delivered and title has passed. Interest income is accrued on a time basis by reference to the principal outstanding using the effective interest method. Service income is recognized when services are provided.

(k) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement as so to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the relevant lease term. Benefit received and receivable as an incentive to enter into an operating lease recognized as a reduction of rental expense over the lease term on a straight line basis.

(l) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

(m) Share-based payment

The fair value of the share options that were granted by the Company after 7 November 2002 and had not vested on 1 January 2005 is determined by reference to the fair value of the share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognized in employee share-based compensation reserve will be transferred to retained earnings or set off against accumulated losses where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Share-based payment (cont'd)

In the prior years, the Group chose not to apply HKFRS 2 to the shares options granted by the Group which had been fully vested before 1 January 2005 in accordance with the transitional provision of HKFRS 2. The financial impact of the share options granted and fully vested before 1 January 2005 is not recorded in the Group's results until such time as the options are exercised, and no charge is recognized in the consolidated income statement in respect of the value of options granted in the year.

(n) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollar, which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates on the relevant reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, assets and liabilities of the Group's operations with a functional currency that is different from the presentation currency are translated into the presentation currency at the prevailing rates on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in the Group's exchange reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising therefrom are recognized in the exchange reserve.

Goodwill arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency item and reported using the exchange rate at acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies described in note 3, management has made estimates and assumptions concerning the future. The estimates and assumptions that have a significant impact on changes in value of the carrying amounts of the most significant amounts of assets/liabilities include goodwill, development costs and deferred taxation.

In determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flow expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value of subsidiaries where the goodwill arises. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. As at 31 December 2007, no impairment loss has been identified.

Determining whether capitalized development cost is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected. As at 31 December 2007, no impairment loss has been identified. Details of the impairment test on goodwill and capitalized development costs are set out in note 17.

As at 31 December 2007, a deferred tax asset of HK$87,320,000 (2006: HK$19,178,000) has been recognized in the Group's balance sheet. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's net borrowings divided by the capital. For this purpose, the Group defines net borrowings as total borrowings (including bank loans, bank overdrafts and finance lease obligations) less cash and bank balances. Capital comprises all components of equity attributable to equity holders of the Company. As at 31 December 2007, the gearing ratio of the Group is 0.86%. There is no applicable gearing ratio as at 31 December 2006 as the cash and bank balances of the Group are greater than the total borrowings.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose itself to different kinds of financial risks. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's trade and other receivables and investments. Impairment provisions are made for losses that have been incurred at the balance sheet date.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 23.

Apart from certain derivative financial instruments and investments for long term strategic purposes, the Group's investments are normally in liquid securities quoted on recognized stock exchanges. Transactions involving derivative financial instruments and debt securities are with counterparties of sound credit standing. Given their high credit standing, the management does not expect any investment counterparty to fail to meet its obligations.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Except for the financial guarantees given by the Company for certain bank facilities of its subsidiaries, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Investments of the Group are kept sufficiently liquid to meet the operating needs.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

The non-derivative financial liabilities of the Group as at the balance sheet dates are analysed into relevant maturity buckets based on their contractual maturity dates in the table below:

	Payables and accruals HK$'000	Bank overdrafts HK$'000	Bank loans HK$'000 (note (i))	Finance lease obligations HK$'000	Loan from a minority shareholder HK$'000 (note (i))	Total HK$'000
2007						
Carrying amount	672,262	13,391	836,447	1,689	27,574	1,551,363
Total contractual undiscounted cash flow						
Within 1 year or on demand	672,262	13,391	185,089	1,019	3,992	875,753
More than 1 year but less than 2 years	–	–	189,613	853	4,147	194,613
More than 2 years but less than 5 years	–	–	610,205	–	11,612	621,817
More than 5 years	–	–	–	–	56,616	56,616
	672,262	13,391	984,907	1,872	76,367	1,748,799
2006						
Carrying amount	438,286	–	322,877	3,727	23,828	788,718
Total contractual undiscounted cash flow						
Within 1 year or on demand	438,286	–	20,003	2,415	3,330	464,034
More than 1 year but less than 2 years	–	–	219,318	1,660	3,400	224,378
More than 2 years but less than 5 years	–	–	119,765	–	10,721	130,486
More than 5 years	–	–	–	–	53,019	53,019
	438,286	–	359,086	4,075	70,470	871,917

Note:

(i) The interest portion included in the undiscounted cash flow is calculated based on the balances as at 31 December 2007 and 31 December 2006 without taking into account of future increase or decrease of the balances. Interest rates are estimated using contractual rates or, if floating, based on current interest rates as at the respective balance sheet date.

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Interest rate risks

There are two types of interest rate risk – fair value interest rate risk ("FVIR Risk") and cash flow interest rate risk ("CFIR Risk"). FVIR Risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and CFIR Risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities at fixed rates expose the Group to FVIR Risk while financial assets and liabilities at variable rates expose the Group to CFIR Risk.

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits, investments and bank loans.

As most of the Group's interest-bearing financial assets (mainly bank deposits and net investments) are based on floating rates with short interest rate reset periods, no material FVIR Risk is expected. The amounts of interest income from above financial assets are mainly depended on the availability of idle funds of the Group instead of interest rate and it is the Group's policy to obtain a favorable return by shifting the idle funds between the bank deposits and investments, therefore, no material CFIR Risk from above financial assets is expected by management. Details of the Group's bank balances and deposits and investments have been disclosed in notes 24 to 25 and 20 to 21, respectively.

In respect of interest-bearing financial liabilities, the Group's interest rate risk arises primarily from its bank loans which are based on market rates and are therefore exposed to CFIR Risk. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the FVIR Risk. Details of the Group's bank loans have been disclosed in note 27.

As at 31 December 2007, if the interest rates on bank loans had been 50 basis points ("bps") higher/lower than the actual interest rates at year end with all other variables held constant, profit before taxation for the year would has been HK$4,182,000 lower/higher (2006: HK$1,614,000), mainly as a result of higher/lower interest expense on bank loans. The 50 bps increase/decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual balance date. The above sensitivity analysis is based on the bank loan balances of HK$836,447,000 as at 31 December 2007 (2006: HK$322,877,000) without considering the increases/decreases of the loan balances during the year.

(d) Currency risk

Currency risk is the risk that the value of financial instruments denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. The Group has minimal exposure to foreign currency risk as most of the financial assets and liabilities held by the Group's overseas subsidiaries (except for the Group's treasury investments which are mainly denominated in Hong Kong dollar or United States dollar) are denominated in the respective functional currency of such subsidiaries. The management always monitors foreign exchange exposure closely in order to keep the currency risk at a reasonable level.

(e) Other price risk

The Group is exposed to securities price changes arising from its investments at fair value through profit or loss (note 20).

All of the Group's trading securities are listed on the Stock Exchange of Hong Kong Limited or other recognized overseas stock exchanges. The management manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy or sell trading securities are based on the performance of individual securities, as well as the Group's liquidity needs. All of the Group's unquoted investments are held for long term strategic purpose.

If the prices of the respective equity securities held for trading had been 5% higher/lower, the Group's profit before taxation will increase/decrease by HK$2,755,000 (2006: HK$635,000) as a result of changes in its fair value. The 5% increase/decrease represents management's assessment of a reasonably possible change in share prices over the period until the next annual balance sheet date.

7. TURNOVER

Turnover represents net invoiced value of goods sold, after allowance for returns and trade discount, as well as income from investments, and is analysed as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
Environment	510,948	549,922
Health	1,487,959	1,388,635
Investment income *	92,685	109,065
	2,091,592	2,047,622

* In previous years, the sale proceeds and costs in respect of the disposal of trading equity securities were included in the Group's turnover and cost of sales, respectively. In the current year, the Group considered it is more appropriate to include the net balances of sales proceeds amounted to HK$181,350,000 (2006:HK$149,496,000) and the related cost amounted to HK$152,094,000 (2006:HK$103,913,000) in net gain on investment at fair value through profit or loss included in other income, gains and losses. In addition, the increase in fair value change of investments at fair value through profit or loss/derivative financial instruments amounted to HK$18,327,000 (2006: decrease in fair value of HK$10,007,000) are reclassified and included in net gain/(loss) on investment at fair value through profit or loss/derivative financial instruments under other income, gains and losses, the comparative amounts have been restated to conform with the current year presentation.

8. OTHER INCOME, GAINS AND LOSSES

	2007 HK$'000	2006 HK$'000 (Restated)
Included in other income, gains and losses are:		
Interest income from bank deposits	17,928	18,193
Loss on disposal of available-for-sale investments	(2,408)	–
Net gain on investment at fair value through profit or loss	19,758	84,239
Net gain/(loss) on derivative financial instruments	2,986	(37,929)

9. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$488.1 million (2006: HK$470.7 million) of which HK$16.1 million (2006: HK$26.7 million) relating to development activities was capitalized and HK$173.9 million (2006: HK$160.7 million) relating to direct labor costs was included in cost of sales.

Staff costs also include operating lease rentals of HK$1.0 million (2006: HK$1.0 million) in respect of accommodation provided to staff.

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**29,943**	35,513
Bank overdrafts	**1,430**	–
Loan from a minority shareholder	**2,531**	2,149
Finance leases	**328**	204
	34,232	37,866

11. TAXATION

	2007 HK$'000	2006 HK$'000
Current tax		
Hong Kong	**7,504**	114
Other jurisdictions	**1,930**	17,696
Over provision in prior year		
Other jurisdictions	**(10,988)**	(35)
Deferred tax (Note 30)		
Hong Kong	**808**	(153)
Other jurisdictions	**(81,573)**	(15,969)
	(82,319)	1,653

11. TAXATION (CONT'D)

Hong Kong profits tax has been provided at the rate of 17.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit before taxation as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	32,992	98,445
Notional tax at tax rate of 17.5%	5,774	17,228
Tax effect of share of results of associates	964	(513)
Tax effect of non-deductible expenses	15,567	6,298
Tax effect of non-taxable income	(68,187)	(31,544)
Tax effect of tax losses not recognized	20,632	13,052
Over provision in prior year	(10,988)	(35)
Utilization of tax losses previously not recognized	1,086	(2,528)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(40,708)	(2,462)
Others	(6,459)	2,157
Tax expenses	(82,319)	1,653

12. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	7,306	6,655
Depreciation of property, plant and equipment		
Owned assets	56,308	58,167
Assets held under finance leases	800	750
	57,108	58,917
Amount included in production overheads	(14,357)	(14,083)
Amount capitalized as development costs	(9,684)	(12,946)
	33,067	31,888
Research and development expenditure	51,298	71,658
Amount capitalized as development costs	(2,796)	(41,310)
	48,502	30,348
Amortization of development costs	3,460	3,413
	51,962	33,761
Impairment losses of trade receivables	5,414	8,701
Inventories written off	4,710	4,108
Share-based payment	–	526
Operating lease		
– land	312	635
– other properties	24,006	26,174
Loss on disposal of property, plant and equipment	466	–
and after crediting:		
Dividend income from listed securities (included in turnover)	205	–
Bad debt recovery	4,802	–
Exchange gain	9,607	1,419
Gain on disposal of property, plant and equipment	–	343
Interest income from available-for-sale investments (included in turnover)		
– Unlisted	4,765	7,116
Interest income from investments at fair value through profit or loss (included in turnover)		
– Unlisted	87,715	76,104
Interest income from debt investment (included in turnover)		
– Unlisted	–	25,845

13. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the equity holders of the Company are based on the following data:

	2007 HK$'000	2006 HK$'000
Profit for the year		
Profit for calculating basic and diluted earnings per share	117,001	102,022
Number of shares		
Weighted average number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	9,611,073,000	8,759,610,000

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 December 2006 has accounted for the issuance of new shares pursuant to the rights issue which was completed on 10 May 2006.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2007 and 2006.

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2007 (2006: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2006	102,806	15,420	309,250	56,342	2,760	486,578
Additions	361	1,433	49,486	8,231	3,390	62,901
Acquired on acquisition of subsidiaries	–	64	36,867	20,956	39,881	97,768
Disposals	–	–	(3,684)	(1,559)	–	(5,243)
Disposal of subsidiary	–	(15,420)	(99,189)	(1,983)	–	(116,592)
Exchange difference	(7)	–	11,174	828	230	12,225
At 1 January 2007	103,160	1,497	303,904	82,815	46,261	537,637
Additions	35	9,948	6,941	5,439	16,143	38,506
Acquired on acquisition of subsidiaries	115,760	1,394	109,489	4,768	–	231,411
Reclassification	–	(850)	561	289	–	–
Disposals	(1,679)	–	(2,345)	(2,599)	–	(6,623)
Disposal of subsidiary	–	(56)	–	(79)	–	(135)
Exchange difference	796	103	21,380	4,384	266	26,929
At 31 December 2007	218,072	12,036	439,930	95,017	62,670	827,725
Comprising:						
Cost	–	12,036	439,930	95,017	62,670	609,653
Valuation	218,072	–	–	–	–	218,072
	218,072	12,036	439,930	95,017	62,670	827,725

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold improvement HK$'000	Total HK$'000
Depreciation						
At 1 January 2006	7,060	–	80,416	38,708	441	126,625
Provided for the year	2,512	–	38,687	11,139	6,579	58,917
Eliminated upon disposals	–	–	(814)	(1,033)	–	(1,847)
Eliminated upon disposal of subsidiary	–	–	(7,712)	(443)	–	(8,155)
Exchange difference	–	–	3,365	468	84	3,917
At 1 January 2007	9,572	–	113,942	48,839	7,104	179,457
Provided for the year	2,708	–	36,119	11,152	7,129	57,108
Eliminated upon disposals	–	–	(1,610)	(542)	(1,474)	(3,626)
Eliminated upon disposal of subsidiary	–	–	–	(60)	–	(60)
Exchange difference	507	–	9,031	3,292	163	12,993
At 31 December 2007	12,787	–	157,482	62,681	12,922	245,872
Carrying Value						
At 31 December 2007	205,285	12,036	282,448	32,336	49,748	581,853
At 31 December 2006	93,588	1,497	189,962	33,976	39,157	358,180

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying value of building shown above situated on:

	2007 HK$'000	2006 HK$'000
Land in Hong Kong under medium term lease	**89,691**	91,959
Overseas freehold land	**115,594**	1,629
	205,285	93,588

The building in Hong Kong was revalued at HK$101,000,000 on 31 December 2002 by the Directors on an open market value basis with reference to valuation at 30 April 2002 by DTZ Debenham Tie Leung, an independent professional valuer. The Directors considered that, as at 31 December 2007, the fair value of this building did not differ materially from that of 31 December 2002. The freehold land and building in overseas was revalued by the Directors of the Group by reference to recent market prices for similar properties. Had the building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$205,187,000 (2006: HK$93,349,000).

The carrying value of the Group's property, plant and equipment held under finance leases included in furniture, fixtures and other assets amounted to HK$1,906,000 (2006: HK$2,549,000).

16. PREPAID LEASE FOR LAND

Prepaid lease for land represents prepaid lease for land in Hong Kong under medium term lease leased from Hong Kong Science and Technology Parks Corporation for a term up to 27 June 2047.

17. INTANGIBLE ASSETS

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000	Trademark HK$'000	Customer relationship HK$'000	Distribution network HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost								
At 1 January 2006	190,175	12,319	441,103	82,851	20,915	–	2,492	749,855
Additions	58,257	2,011	1,081	–	–	–	5,713	67,062
Arising on acquisition of subsidiaries	–	–	2,030,879	26,481	188,589	37,463	–	2,283,412
Exchange difference	(24)	12	9,463	1,260	35	–	(269)	10,477
At 1 January 2007	248,408	14,342	2,482,526	110,592	209,539	37,463	7,936	3,110,806
Additions	175,268	2,244	590	–	–	–	32	178,134
Arising on acquisition of subsidiaries	–	–	336,282	–	123,495	–	–	459,777
Exchange difference	202	18	68,164	14,865	3,976	–	1,583	88,808
At 31 December 2007	423,878	16,604	2,887,562	125,457	337,010	37,463	9,551	3,837,525

17. INTANGIBLE ASSETS (CONT'D)

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000	Trademark HK$'000	Customer relationship HK$'000	Distribution network HK$'000	Other intangible assets HK$'000	Total HK$'000
Amortization								
At 1 January 2006	8,400	1,247	–	–	1,312	–	158	11,117
Provided for the year	3,413	454	–	–	14,698	2,205	1,512	22,282
Exchange difference	–	9	–	–	–	–	(79)	(70)
At 1 January 2007	11,813	1,710	–	–	16,010	2,205	1,591	33,329
Provided for the year	3,460	442	–	–	23,653	3,882	1,568	33,005
Exchange difference	(173)	16	–	–	1,621	–	(387)	1,077
At 31 December 2007	15,100	2,168	–	–	41,284	6,087	2,772	67,411
Carrying value								
At 31 December 2007	408,778	14,436	2,887,562	125,457	295,726	31,376	6,779	3,770,114
At 31 December 2006	236,595	12,632	2,482,526	110,592	193,529	35,258	6,345	3,077,477

17. INTANGIBLE ASSETS (CONT'D)

As detailed in note 38(a), in November 2007, the Group acquired the entire issued share capital of Lipa Pharmaceuticals Limited ("Lipa") for a total consideration of HK$644,881,000. Goodwill arising from the acquisition amounted to HK$336,282,000.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill and trademark with indefinite useful lives have been allocated to seven individual cash generating units (CGUs), including three subsidiaries in the health segment and four subsidiaries in the environment segment. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) as at 31 December 2007 allocated to these segments are as follows:

	Goodwill		Trademark	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Health	**2,719,844**	2,327,589	**108,543**	95,450
Environment	**167,718**	154,937	**16,914**	15,142
	2,887,562	2,482,526	**125,457**	110,592

During the year ended 31 December 2007, management of the Group determines that there are no impairments of any of its CGUs containing goodwill or trademark with indefinite useful lives.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use cash flow projections of 5-10 years based on next year's financial budgets approved by management using a steady growth rate and at discount rate of 8% to 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which have included budgeted sales and gross margin, and such estimation is based on the unit's past performance and management's expectations for the market development.

The Group also tests the impairment of capitalized development cost by assessing, where appropriate, the cash flow forecasts, the profit forecasts and the progress of the development activities of the relevant product groups.

Other intangibles assets include non-competition agreement.

18. INTERESTS IN ASSOCIATES AND CONVERTIBLE DEBENTURES ISSUED BY AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Cost of investments in associates		
Unlisted	23,668	60,793
Listed overseas (note (a))	37,824	–
Share of post-acquisition results	(3,574)	9,474
Exchange reserve	1,246	2,642
	59,164	72,909
Fair value of listed investments	49,387	–
Convertible debentures issued by an associate (note (a))	27,649	–
Embedded derivative portion, at fair value (note (21))	(2,754)	–
Debt portion	24,895	–

Note:

(a) The Group's interests in an overseas listed associate represents the Group's interests in Wex Pharmaceuticals Inc. ("Wex") acquired during the year. In July 2007, a wholly owned subsidiary company of the Group and Wex entered into a subscription agreement (amended pursuant to amending agreements in August and October 2007) (collectively, the "Wex Agreement") with respect to a subscription of Wex's equity shares and convertible debentures. The transaction was completed on 17 October 2007.

Wex was incorporated in Canada and is listed on the Toronto Stock Exchange ("TSX"). Wex and its subsidiaries are primarily engaged in discovery, development, manufacture and commercialization of innovative drug products to treat pain.

Pursuant to the terms of the Wex Agreement, Wex has issued to a wholly owned subsidiary company of the Group:

- 16,327,272 restricted voting shares of Wex (the "Restricted Shares"), representing approximately 27.15% of the issued and outstanding Restricted Shares after the issuance of such shares, at a price of CAD0.275 per share for a total cash consideration of CAD4,489,999.80;
- one class A special share of Wex; and
- a convertible debenture (the "Debenture") in the principal sum of CAD15,600,000.

No goodwill has arisen from this acquisition.

Up to 31 December 2007, the Debenture in the principal amount of CAD3,500,000 had been issued to a wholly owned subsidiary company of the Group. The remaining amount of the Debenture will be issued quarterly to a wholly owned subsidiary company of the Group following the end of each financial quarter commencing 31 December 2007.

The Debenture will mature two years from date of issue. If at maturity, Wex is unable to make payment, the maturity date may be extended for two years at Wex's option.

The Debenture is to bear interest at the rate of LIBOR plus 4% per year, payable semi-annually commencing on 31 March 2008 or otherwise upon default by way of issuance of Wex's Restricted Shares. The Restricted Shares to be issued in payment of the interest will be issued at an issue price equal to the volume weighted average trading price ("VWAP") of such shares on TSX for each trading day over the six-month period prior to the date that interest payment is due, less a discount of 30% (the "Discounted Market Price").

The principal amount of the Debenture is convertible into Restricted Shares at the Group's option on and after maturity of the two-year term ("Maturity Date"), upon default and in the event that an offer for effective control of Wex is received.

The Restricted Shares to be issued upon conversion on or after the Maturity Date are to be issued at an issue price equal to the Discounted Market Price of such shares in the event of conversion on the Maturity Date and for conversion in all other cases at an issue price equal to VWAP of such shares on the TSX over the last five trading days prior to the conversion date.

The issue price of the Restricted Shares to be issued pursuant to the interest payment provisions or the conversion provisions in the Debenture may not be higher than CAD1.75 or less than CAD0.05 per common share.

18. INTERESTS IN ASSOCIATES AND CONVERTIBLE DEBENTURES ISSUED BY AN ASSOCIATE (CONT'D)

Particulars regarding the principal associates are set out in Appendix II.

The summarized financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**431,490**	1,381,120
Total liabilities	**(205,553)**	(1,183,356)
Net assets	**225,937**	197,764
Group's share of net assets of associates	**59,164**	72,909
Revenue	**100,871**	2,035,064
Profit/(loss) for the year	**(16,926)**	5,452
Group's share of results of associates for the year	**(5,510)**	2,930

19. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK$'000	2006 HK$'000
Debt security – unlisted, at fair value	**–**	155,727
Equity security – unlisted, at cost	**150,101**	–
	150,101	155,727

19. AVAILABLE-FOR-SALE INVESTMENTS (CONT'D)

The equity security investment represents the Group's interest in an unlisted company, which is principally engaged in the manufacture and marketing of nutraceutical products and engaged in nutraceutical-related technical research and development activities through its subsidiaries in the PRC. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

The debt securities represented investment in an unlisted debt security that offered the Group the opportunity for return through interest income or fair value gain. The investment had no fixed coupon rate.

As at 31 December 2006, the unlisted debt investment was stated at fair value which was determined based on the market price provided by a financial institution.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK$'000	2006 HK$'000
Equity securities held for trading – listed in Hong Kong at quoted bid price	**12,680**	2,213
Equity securities held for trading – listed overseas at quoted bid price	**42,424**	10,496
Debt securities – unlisted	**323,230**	920,265
	378,334	932,974
Carrying amount analysed for reporting purpose as:		
Non-current	**323,230**	920,265
Current	**55,104**	12,709

The fair value of the debt securities are determined based on the market price provided by the relevant financial institutions.

The interest income from unlisted debt securities is linked to equity prices or index.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK$'000	2006 HK$'000
Assets		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	13,171	13,980
Credit default swap	2,503	5,564
Convertible debentures issued by an associate		
– embedded derivative portion (note 18)	2,754	–
	18,428	19,544

	2007 HK$'000	2006 HK$'000
Liabilities		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	(44,033)	(63,274)
Credit default swap	(11,856)	(356)
	(55,889)	(63,630)

The above financial instruments are measured at fair value at each balance sheet date. The fair values of the derivatives are determined based on the market prices provided by the relevant financial institutions at the balance sheet date. The fair value of the embedded derivative portion of the convertible debentures is valuated by an independent professional valuer.

22. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	172,047	103,602
Work in progress	89,305	95,199
Finished goods	121,489	121,688
	382,841	320,489

The cost of inventories recognized as an expense during the year was HK$1,355,539,000 (2006: HK$1,266,015,000).

23. RECEIVABLES AND PREPAYMENTS

	2007 HK$'000	2006 HK$'000
Trade receivables	527,349	416,828
Less: provision for impairment	(24,709)	(25,348)
	502,640	391,480
Other receivables	160,925	105,604
Loans and receivables	663,565	497,084
Deposit and prepayments	3,960	5,768
	667,525	502,852

The Group has a policy of allowing an average credit period of 30 to 90 days to its customers.

23. RECEIVABLES AND PREPAYMENTS (CONT'D)

The ageing analysis of trade receivables that are not impaired are as follows:

	2007 HK$'000	2006 HK$'000
Current	211,287	219,987
Less than 90 days past due	259,911	139,196
Over 90 days past due	31,442	32,297
	291,353	171,493
	502,640	391,480

Trade receivables that were neither past due nor impaired related to a wide range of customers that have a good payment record.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good trade record with the Group. Based on past experience, management believes that there has not been a significant change in credit quality and the balances are still considered recoverable. The Group does not hold any collateral over these balances.

23. RECEIVABLES AND PREPAYMENTS (CONT'D)

The movements on the provision for impairment of trade receivables are as follows:

	2007 HK$'000	2006 HK$'000
At 1 January	25,348	1,972
Impairment loss recognized	5,414	8,701
Recovery	(4,802)	–
Uncollectible amounts written off	(14,264)	(101)
Arising from acquisition of subsidiaries	13,484	14,718
Exchange difference	(471)	58
At 31 December	24,709	25,348

Included in the other receivables is an amount of HK$27,222,000 (2006: HK$27,222,000) due from a minority shareholder of a subsidiary. The amount is unsecured, interest free and repayment on demand.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

24. DEPOSIT WITH FINANCIAL INSTITUTION

Deposit with financial institution carries an average interest rate of 5.02% (2006: 4.76%).

25. CASH AND CASH EQUIVALENTS

	2007 HK$'000	2006 HK$'000
Bank balances and deposits (note (a))	766,891	411,693
Bank overdrafts (note (b))	(13,391)	–
	753,500	411,693

Notes:

(a) Balance balances and deposits carry an average interest rate of 3.92% (2006: 3.54%).

(b) Bank overdrafts are secured by a charge over the assets of a subsidiary and carry interest with reference to the Banker's Acceptance Rate plus a stamping fee of 0.525%.

26. PAYABLES AND ACCRUALS

	2007 HK$'000	2006 HK$'000
Trade payables	**276,306**	289,754
Other payables and accrued charges	**395,956**	148,532
Financial liabilities measured at amortised cost	**672,262**	438,286

The ageing analysis of trade payables is as follows:

	2007 HK$'000	2006 HK$'000
Due within 90 days or on demand	**256,363**	249,469
Due after 90 days	**19,943**	40,285

The Directors consider that the carrying amount of trade and other payable approximates their fair value.

27. BANK LOANS

	2007 HK$'000	2006 HK$'000
Bank loans repayable		
within 1 year	125,901	–
1 to 2 years	141,693	117,619
2 to 5 years	568,853	205,258
	836,447	322,877
Analysed as:		
Secured	125,901	205,258
Unsecured	710,546	117,619
	836,447	322,877
Carrying amount analysed for reporting purpose as:		
Current	125,901	–
Non-current	710,546	322,877

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Canadian dollars (note (a))	125,901	205,258
Australian dollars (note (b))	710,546	117,619
	836,447	322,877

27. BANK LOANS (CONT'D)

Notes:

(a) The bank loans are secured by a charge over the assets of a subsidiary and carry interest with reference to the Banker's Acceptance Rate plus a stamping fee of 0.525%. The loan is for a period of three years from May 2005 to May 2008.

(b) The bank loans are unsecured and bear a floating interest with reference to the Bill Swap Reference Rate (Bid) plus 0.45%. A bank loan of HK$141,693,000 is repayable in March 2009 and the remaining bank loan of HK$568,853,000 is for a period of three years from November 2007 to November 2010.

The bank loans are arranged at floating rates and the Directors consider that the carrying amount of the bank loans approximates their fair value.

28. FINANCE LEASE OBLIGATIONS

	Minimum leases payment		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance leases obligations payable				
within one year	**1,019**	2,415	**752**	2,221
within two to five year	**853**	1,660	**937**	1,506
	1,872	4,075	**1,689**	3,727
Less: Future finance charges	**(183)**	(348)	**N/A**	N/A
Present value of finance leases obligations	**1,689**	3,727	**1,689**	3,727
Carrying amount analysed for reporting purpose as:				
Current			**752**	2,222
Non-current			**937**	1,505

The finance leases are secured on certain property, plant and equipment with average lease term of 3-4 years. No residual value is expected at the end of the term.

29. LOAN FROM A MINORITY SHAREHOLDER

Loan from a minority shareholder was unsecured, bearing interest with reference to Bill Swap Reference Rate (Bid) plus 0.9% to 1.1% with effective from April 2005 except for an amount of HK$2,661,000 which is interest free, and matures on 31 December 2025. The loan was interest free prior to April 2005.

The Directors consider that the carrying amount of loan from a minority shareholder approximates its fair value.

30. DEFERRED TAXATION

The major deferred tax (assets)/liabilities recognized by the Group and movements during the period are as follows:

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Loan from a minority shareholder HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
The Group						
As at 1 January 2006	37,291	30,889	–	(40,441)	(685)	27,054
Acquisition of subsidiaries	8,109	99,844	–	(35,831)	(4,266)	67,856
Charge to equity	–	–	3,984	–	–	3,984
Charge/(credit) to income statement	2,316	36,706	(129)	(24,617)	(30,398)	(16,122)
Exchange difference	–	–	–	(725)	–	(725)
As at 1 January 2007	**47,716**	**167,439**	**3,855**	**(101,614)**	**(35,349)**	**82,047**
Acquisition of subsidiaries	**(16,195)**	**–**	**–**	**–**	**(28,863)**	**(45,058)**
Charge/(credit) to income statement	**(9,213)**	**38,375**	**(149)**	**(62,088)**	**(47,690)**	**(80,765)**
Exchange difference	**591**	**–**	**893**	**4,292**	**732**	**6,508**
As at 31 December 2007	**22,899**	**205,814**	**4,599**	**(159,410)**	**(111,170)**	**(37,268)**

30. DEFERRED TAXATION (CONT'D)

The following is the analysis of the deferred tax balances for balance sheet purpose:

	2007 HK$'000	2006 HK$'000
Deferred tax liabilities	**50,052**	101,225
Deferred tax assets	**(87,320)**	(19,178)
	(37,268)	82,047

At the balance sheet date, the total un-utilized tax losses amounted to approximately HK$1,578,492,000 (2006: HK$1,316,676,000). A deferred tax asset has been recognized in respect of HK$585,117,000 (2006: HK$443,356,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$993,375,000 (2006: HK$873,320,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized. Tax losses of approximately HK$34,639,000 (2006:HK$27,849,000) arising in Mainland China can only be carried forward for five years subsequent to the year of tax losses incurred.

31. SHARE CAPITAL

	Number of shares of HK$ 0.1 each '000	Nominal value HK$'000
Authorized	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2006	6,407,382	640,738
Shares issued under rights issue	3,203,691	320,369
At 31 December 2006 and 31 December 2007	9,611,073	961,107

In May 2006, the Company completed the rights issue of 3,203,690,800 rights shares at HK$0.65 per rights share in the proportion of one rights share for every two existing shares.

32. SHARE OPTION SCHEME

The Company adopted a share option scheme on 26 June 2002 (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme for the primary purpose of providing incentives to directors and eligible employees.

As at 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 14,544,109 (2006: 16,442,657 shares), representing 0.15% (2006: 0.17%) of the share of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue of any point in time, with prior approval from the Company's shareholder.

As a result of the rights issue of the Company in May 2006, the subscription prices of the options have also been adjusted. Details of the share options granted and the adjusted share option prices are as follows:

Year 2007

	Number of share options							
Date of Grant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2007	No. of exercisable options as at 31 December 2007	Option period	Adjusted subscription price per share HK$
30/9/2002	2,869,010	–	–	(312,472)	2,556,538	2,556,538	30/9/2003 to 29/9/2012	1.422
27/1/2003	6,294,623	–	–	(691,372)	5,603,251	5,603,251	27/1/2004 to 26/1/2013	1.286
19/1/2004	7,279,024	–	–	(894,704)	6,384,320	4,469,024	19/1/2005 to 18/1/2014	1.568

32. SHARE OPTION SCHEME (CONT'D)

Year 2006

	Number of share options							
Date of Grant	Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006	No. of exercisable options as at 31 December 2006	Option period	Adjusted subscription price per share HK$
30/9/2002	3,188,500	–	–	(319,490)	2,869,010	2,869,010	30/9/2003 to 29/9/2012	1.422
27/1/2003	7,128,200	–	–	(833,577)	6,294,623	4,406,236	27/1/2004 to 26/1/2013	1.286
19/1/2004	8,154,000	–	–	(874,976)	7,279,024	2,547,658	19/1/2005 to 18/1/2014	1.568

Details of the vesting period for the above options are as follows:

(i) up to 35% of the options in the first year after commencement of the option period;

(ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) in the second year after commencement of the option period; and

(iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) in the third year and thereafter after the commencement of the option period.

33. PLEDGE OF ASSETS

Bank loan of HK$125,901,000 (2006: HK$205,258,000) and overdraft of HK$13,391,000 (2006: nil) are secured by a mortgage over the cash, accounts receivable, inventories, property, plant and equipment and other intangibles assets of a subsidiary with a carrying value of HK$210,259,000 (2006: HK$168,906,000) as at 31 December 2007.

Obligations under finance leases are secured by the lessor's charge over the leased assets.

34. OPERATING LEASE COMMITMENT

The leases of the Group are negotiated for a term ranging from one to three years. Minimum lease charges payable by the Group within one year and second to fifth years under non-cancellable operating leases in respect of rented premises were HK$33,561,000 (2006: HK$27,435,000) and HK$30,031,000 (2006: HK$235,070,000) respectively.

35. CAPITAL COMMITMENT

	2007 HK$'000	2006 HK$'000
Capital commitment in respect of the acquisition of laboratory instrument, plant and equipment		
– contracted but not provided for	**1,913**	5,170

36. RETIREMENT BENEFITS SCHEME

The principal employee retirement schemes operated by the Group are defined contribution schemes. For Hong Kong employees, contributions are made by either employer only or by both employer and employees at rates ranging from approximately 5% to 10% on employee's salary. For overseas employees, contributions are made by employer at rates ranging from 4% to 20% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$18,497,000 (2006: HK$17,661,000) and forfeited contribution during the year of HK$2,613,000 (2006: HK$4,305,000) was used to reduce the Group's contribution in the year.

37. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2007 were as follows:

Name of Director	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Retirement benefits scheme contributions HK$'000	**Total emoluments 2007 HK$'000**	Total emoluments 2006 HK$'000
Li Tzar Kuoi, Victor	75	–	–	–	**75**	70
Kam Hing Lam	75	1,800	300	–	**2,175**	1,470
Ip Tak Chuen, Edmond	75	–	600	–	**675**	670
Yu Ying Choi, Alan Abel	75	5,487	1,300	538	**7,400**	6,997
Chu Kee Hung	75	4,028	1,000	396	**5,499**	5,093
Pang Shiu Fun	–	–	–	–	–	2,903
Peter Peace Tulloch	75	–	–	–	**75**	70
Wong Yue-chim, Richard	155	–	–	–	**155**	140
Kwok Eva Lee	180	–	–	–	**180**	160
Colin Stevens Russel	180	–	–	–	**180**	160
	965	11,315	3,200	934	**16,414**	17,733

The directors' fees included an amount of HK$75,000 (2006: HK$70,000) for each director and an additional amount of HK$80,000 (2006: HK$70,000) and HK$25,000 (2006:HK$20,000) for each Independent Non-executive Director who is also a member of the audit committee and remuneration committee respectively. Such fees would be proportioned according to the length of services of the directors during the year.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

None of the Directors waived any emoluments in the year ended 31 December 2007. No incentives were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

37. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2006: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2006: three) are as follows:

	2007 HK$'000	2006 HK$'000
Salary and other benefits	18,430	14,678
Bonus	3,478	2,209
Retirement benefits scheme contributions	211	206
	22,119	17,093

Their emoluments were within the following bands:

	2007 Number of Employees HK$'000	2006 Number of employees HK$'000
HK$5,000,001 to HK$5,500,000	–	2
HK$6,000,001 to HK$6,500,000	1	–
HK$6,500,001 to HK$7,000,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
HK$8,000,001 to HK$8,500,000	1	–
	3	3

No incentive was paid by the Group to the above individual as inducements to join, or upon joining the Group, or as a compensation for loss of office.

38. PURCHASE AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of Lipa Pharmaceuticals Limited ("Lipa")

The provisional fair values of assets and liabilities acquired in the transaction are as follows:

	Lipa's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	310,278	(78,867)	231,411
Intangible assets – customer relationship	–	123,495	123,495
Deferred taxation	45,058	–	45,058
Inventories	63,687	–	63,687
Receivables and prepayments	143,162	–	143,162
Bank balances and cash	16,293	–	16,293
Taxation	(5,974)	–	(5,974)
Payables and accruals	(238,515)	–	(238,515)
Finance lease obligation	(70,018)	–	(70,018)
	263,971	44,628	308,599
Goodwill on acquisition			336,282
Total consideration			644,881
Net cash outflow arising from acquisition:			
Cash payment (including acquisition cost)			644,881
Bank balances and cash acquired			(16,293)
			628,588

In November 2007, the Group acquired the entire issued share capital of Lipa for a total consideration of HK$644,881,000 which comprises direct attributable acquisition cost of HK$18,788,000 and purchase consideration of HK$626,093,000. Goodwill arising from the acquisition amounted to HK$336,282,000 which is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

The subsidiary acquired during the year contributed HK$75,605,000 to the Group's turnover and a contribution of HK$6,310,000 to the profit attributable to equity holders of the Company.

If the acquisition had been completed on 1 January 2007, total group turnover for the year would have been HK$2,547,249,000 and profit for the year would have been HK$40,552,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

38. PURCHASE AND DISPOSAL OF SUBSIDIARIES (CONT'D)

(b) Disposal of Nanjing Green Union Eco-Technology Limited ("Nanjing GU")

	HK$'000
Net assets disposed:	
Property, plant and equipment	75
Investment in associate	358
Inventories	258
Receivables and prepayments	20,342
Bank balances	3,966
Payable and accruals	(3,300)
	21,699
Minority interest	(7,662)
	14,037
Release of exchange reserve	(912)
Other disposal costs	303
Gain on disposal	2,100
Total consideration	15,528
Satisfied by:	
Consideration receivable	15,528
Net cash outflow arising on disposal:	
Other disposal costs	(303)
Bank balances disposed of	(3,966)
	(4,269)

In June 2007, the Group disposed of its 64.51% equity interests in Nanjing GU at a consideration of RMB15,223,000 (approximately HK$15,528,000). After the disposal, the Group ceased to have any interest in Nanjing GU. The consideration receivable of HK$15,528,000 is included in the Group's receivables and prepayments (note (23)).

Nanjing GU only contributed insignificant turnover and profit to the Group before disposal.

38. PURCHASE AND DISPOSAL OF SUBSIDIARIES (CONT'D)

(c) Acquisition of Vitaquest International Holdings LLC ("Vitaquest")

	Vitaquest's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	97,741	–	97,741
Intangible assets:			
– trademark	–	26,481	26,481
– customer relationship	–	188,589	188,589
– distribution network	–	37,463	37,463
Inventories	142,324	–	142,324
Receivables and prepayments	381,335	–	381,335
Bank balances and cash	8,665	–	8,665
Payables and accruals	(263,371)	–	(263,371)
Deferred taxation	–	(67,856)	(67,856)
Bank and other loans	(1,306,142)	–	(1,306,142)
	(939,448)	184,677	(754,771)
Goodwill on acquisition			2,030,879
Total consideration			1,276,108
Net cash outflow arising from acquisition:			
Cash payment (including acquisition cost)			1,276,108
Bank balances and cash acquired			(8,665)
			1,267,443

In February 2006, the Group acquired the control of 80% of common interests and 100% of senior preferred interests in Vitaquest for a total consideration of HK$1,276,108,000 which comprises the direct attributable acquisition cost of HK$255,408,000 and purchase consideration of HK$1,020,700,000. Goodwill arising from the acquisition amounted to HK$2,030,879,000 which is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

The subsidiary acquired during 2006 contributed HK$1,160,128,000 to the Group's turnover and profit of HK$82,549,000 to the profit attributable to equity holders of the Company in that year.

If the acquisition had been completed on 1 January 2006, total group turnover for 2006 would have been HK$2,111,521,000 (restated) and profit for 2006 would have been HK$93,501,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

38. PURCHASE AND DISPOSAL OF SUBSIDIARIES (CONT'D)

(d) Restructuring of the joint ventures with Nanjing Red Sun Stock Co. Ltd ("Red Sun")

(i) Acquisition of Nanjing GU

	Nanjing GU's carrying value before acquisition and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	27
Interest in associate	400
Receivables and prepayments	1,838
Bank balances and cash	22,644
Payable and accruals	(3,045)
	21,864
Minority interest	(7,705)
	14,159
Represented by:	
Transfer from interests in associates	8,716
Disposal of 5.75% interests in JT	5,443
	14,159
Cash inflow arising from acquisition:	
Bank balances and cash acquired	22,644

38. PURCHASE AND DISPOSAL OF SUBSIDIARIES (CONT'D)

(d) Restructuring of the joint ventures with Nanjing Red Sun Stock Co. Ltd ("Red Sun") (cont'd)

(ii) Disposal of Jiangsu Technology Union Eco-fertilizer Ltd ("JT")

	HK$'000
Net assets disposed:	
Property, plant and equipment	108,437
Prepaid lease for land	20,569
Inventories	19,105
Receivables and prepayments	85,693
Bank balances and cash	11,746
Payable and accruals	(49,496)
Bank and other loans	(101,000)
Minority interest	(388)
	94,666
Minority interest	(44,607)
	50,059
Represented by:	
Interests in associates	44,616
Acquisition of 24.51% interests in Nanjing GU	5,443
	50,059
Cash outflow arising from disposal:	
Bank balances and cash disposed of	11,746

In 2006, the Group carried out the restructuring of the joint ventures with Red Sun whereby the Group had obtained an additional 24.51% interests in Nanjing GU from Red Sun and in return had disposed 5.75% interests in JT to Red Sun. Prior to the restructuring, the Group had 40% interests in Nanjing GU and 52.88% in JT. After the restructuring, Nanjing GU has changed from an associate company to a subsidiary company while JT has changed from a subsidiary company to an associate company.

Nanjing GU only contributed insignificant turnover and profit to the Group since acquisition.

39. SEGMENT INFORMATION

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

(a) Business segments

	Environment		Health		Investment		Unallocated		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000 (Restated)
Segment turnover	510,948	549,922	1,487,959	1,388,635	92,685	109,065	–	–	2,091,592	2,047,622
Segment results	20,743	8,505	23,669	92,089	124,607	169,556	–	–	169,019	270,150
Business development expenditure	–	–	–	–	–	–	(32,514)	(41,212)	(32,514)	(41,212)
Research and development expenditure	–	–	–	–	–	–	(23,593)	(25,851)	(23,593)	(25,851)
Corporate expenses	–	–	–	–	–	–	(44,990)	(69,706)	(44,990)	(69,706)
Gain on disposal of associates	2,712	–	–	–	–	–	–	–	2,712	–
Gain on disposal of a subsidiary	2,100	–	–	–	–	–	–	–	2,100	–
Finance costs	–	–	–	–	–	–	(34,232)	(37,866)	(34,232)	(37,866)
Share of results of associates	(4,242)	2,930	(1,268)	–	–	–	–	–	(5,510)	2,930
Profit before taxation									32,992	98,445
Taxation									82,319	(1,653)
Profit for the year									115,311	96,792

39. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Environment		Health		Investment		Unallocated		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Segment assets	589,320	500,852	4,777,530	3,643,341	546,354	1,111,160	–	–	5,913,204	5,255,353
Interests in associates	21,360	72,909	37,804	–	–	–	–	–	59,164	72,909
Convertible debentures issued by an associate	–	–	27,649	–	–	–	–	–	27,649	–
Bank balances and cash									766,891	411,693
Other assets									173,077	191,699
Total assets									6,939,985	5,931,654
Segment liabilities	(146,942)	(106,076)	(437,239)	(295,652)	(213,154)	(61,274)	–	–	(797,335)	(463,002)
Other liabilities									(875,918)	(506,628)
Total liabilities									(1,673,253)	(969,630)
Other information										
Amortization of intangible assets	(19)	2,776	33,024	19,506	–	–	–	–	33,005	22,282
Depreciation	13,407	11,210	24,366	23,253	–	–	9,651	11,508	47,424	45,971
Capital additions	21,050	15,408	884,105	2,493,656	–	–	2,673	2,079	907,828	2,511,143
Allowances for bad debts	215	(49)	5,199	8,750	–	–	–	–	5,414	8,701
Inventories written off	43	19	4,667	4,089	–	–	–	–	4,710	4,108

39. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

Turnover is analysed by the Group's sales by geographical market while the carrying amount of segments assets and capital additions is analysed by the geographical area in which the segment assets are located.

	Turnover		Segment assets		Capital additions	
	2007 HK$'000	2006 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Hong Kong (Note)	32,713	31,596	662,598	544,731	30,288	55,014
Canada (Note)	180,076	166,579	335,951	464,452	2,411	8,893
Mainland China	22,882	121,503	6,968	52,088	6,279	19,307
Other Asian countries	19,695	12,680	1,981	5,781	–	–
Australia	543,976	415,517	1,466,545	461,560	706,561	14,948
America (Note)	1,211,669	1,215,842	2,872,617	3,059,348	162,289	2,410,970
Europe (Note)	80,581	83,905	566,544	667,393	–	2,011
	2,091,592	2,047,622	5,913,204	5,255,353	907,828	2,511,143

Note: including financial instruments

40. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) The Group made sales of HK$23,249,000 (2006: HK$11,173,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

(b) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a minority shareholder of a non-wholly owned subsidiary company, Vitaquest. The total rental payment by the Group to Leknarf amounted to HK$15,117,000 in 2007 (2006: HK$13,631,000). Included in receivables and prepayments is prepaid rental amounted to HK$965,000 (2006: HK$5,811,000) to Leknarf.

(c) The Group was the manufacturer and supplier of the dietary supplement, food and cosmetic lines of products for Nu-Life Corp, ("Nu-Life"). Nu-Life is controlled by a substantial shareholder of Vitaquest and is a connected person of the Group. No sale was made to Nu-Life by the Group in the current year. The total sum received by the Group from Nu-Life in 2006 amounted to HK$20,229,000.

(d) The Group made sales of HK$2,533,000 (2006: HK$98,767,000) to members of the Red Sun group during the year. Red Sun is the substantial shareholder of Nanjing GU, which was a subsidiary of the Group before the disposal as detailed in note 38(b).

The emoluments of key management have been presented in note 37 above.

41. MAJOR NON-CASH TRANSACTION

During the year, capital contribution of HK$109,200,000 was made to a subsidiary of the Group by its minority shareholder, which was settled by an intangible asset related to certain research and development projects.

42. POST BALANCE SHEET EVENT

As detailed in the circular of the Company dated 12 November 2007, the Group entered into a share sale and purchase agreement on 25 October 2007 with A&C Chemicals Pty Ltd, an independent third party, to acquire the entire issued share capital of Accensi Pty Ltd ("Accensi") at a cash consideration of A$30,000,000 (approximately HK$215,391,000). Accensi is a company incorporated under the laws of Australia and its principal activity is manufacturing and marketing of plant protection products and soluble fertilizers. The transaction was completed subsequent to the year end, in January 2008.

As at the reporting date, the management is still not yet in a position to assess the fair value of the net assets to be acquired.

43. COMPARATIVE FIGURES

As further explained in note 7, the comparative amounts of turnover, cost of sales and other income, gains and losses have been restated to conform with the current year presentation.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 95 to 158 were approved and authorized for issue by the Board of Directors on 17 March 2008.

APPENDIX I

PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and as such, the following list contains only those principal subsidiaries. They are all indirect subsidiaries.

	Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly 2007	2006	Principal activities
	AquaTower Pty Ltd	Australia	AU$2	**51**	51	Water treatment
#	Beijing Green Vision EcoSciences Inc.	Mainland China	US$300,000*	**100**	100	Trading of biotechnology products
#	Beijing Vital Care Biotech Inc.	Mainland China	US$4,300,000*	**100**	100	Trading of biotechnology products
	Biocycle Resources Limited	British Virgin Islands	US$1	**100**	100	Trading of biotechnology products
	CK Biotech Laboratory Limited	Hong Kong	HK$2	**100**	100	Research and development
	Chilchobie Investments Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	CK Life Sciences Int'l., Inc.	British Virgin Islands	US$1	**100**	100	Commercialization of biotechnology products
	CK Life Sciences Limited	Hong Kong	HK$10,000,000	**100**	100	Applied research, production, product development and commercialization
	Dimac Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Envirogreen Pty Limited	Australia	AUD$2	**100**	100	Manufacturing and distribution of horticultural products for the home gardening market
	Fertico Pty Ltd	Australia	AU$4,000,100	**100**	100	Blending and distribution of fertilizer
	Genero International Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Great Ample Group Limited	British Virgin Islands	US$1	**100**	–	Investment in financial instruments
	Lincore Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments

APPENDIX I (CONT'D)

PRINCIPAL SUBSIDIARIES (cont'd)

	Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly 2007	2006	Principal activities
	Lipa Pharmaceuticals Limited	Australia	AU$100	100	–	Contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines
	NutriSmart Australia Pty Ltd	Australia	AU$1	100	100	Trading of fertilizer
	Nuturf Australia Pty Limited	Australia	AU$7,200,002	100	100	Distribution of turf management products and provision of the related services
	Panform Limited	British Virgin Islands	US$1	100	100	Investment in financial instruments
	Paton Fertilizers Pty Ltd	Australia	AU$469,100	100	100	Blending and distribution of fertilizer
	Proven Leader Limited	British Virgin Islands	US$1	100	100	Investment in financial instruments
	Sante Naturelle (A.G.) Ltee	Canada	CAD100	100	100	Manufacturing, wholesaling, retailing and distribution of nutraceutical products
	Smart Court Investments Limited	British Virgin Islands	US$1	100	–	Investment in financial instruments
	Turrence Limited	British Virgin Islands	US$1	100	–	Investment in financial instruments
	Vital Care Hong Kong Limited	Hong Kong	HK$2	100	100	Trading of biotechnology Products
Δ	Vitaquest International Holdings LLC	USA	N/A	80	80	Supplying and manufacturing of nutritional supplements
	Wonder Earn Investments Limited	British Virgin Islands	US$1	100	–	Investment in financial instruments

Note: All of the above subsidiaries are limited liability companies. None of the subsidiaries had issued any debt.

APPENDIX I (CONT'D)

PRINCIPAL SUBSIDIARIES (cont'd)

The principal area of operations of the above companies were the same as the place of incorporation except the following:

Name	Area of operations
Biocycle Resources Limited	Australia, Asia and America
Chilchobie Investments Ltd	Europe
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
Dimac Limited	America
Genero International Limited	Europe
Great Ample Group Limited	Europe
Lincore Limited	Europe
Panform Limited	Europe
Proven Leader Limited	America
Smart Court Investments Limited	Europe
Turrence Limited	Europe
Wonder Earn investments Limited	Europe

Foreign investment enterprise registered in the Mainland China

Δ Vitaquest International Holdings LLC did not have any issued or registered capital. However, the Company held 80% interest in its common voting rights.

APPENDIX II

PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all the associates will be of excessive length and as such, the following list contains only those principal associates.

Name	Effective percentage of capital held by the Company indirectly 2007	2006	Principal activities	Place of operation
# Jiangsu Technology Union Eco-fertilizer Limited	**25.00**	47.12	Trading of biotechnology products	Mainland China
Wex Pharmaceuticals Inc.	**27.15**	–	Discovery, development, manufacturing and commercialization of innovative drag products to treat pain	Canada

The company is a sino-foreign equity joint venture registered in the Mainland China.

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor
Chairman
KAM Hing Lam
President and Chief Executive Officer
IP Tak Chuen, Edmond
Senior Vice President and Chief Investment Officer
YU Ying Choi, Alan Abel
Vice President and Chief Operating Officer
CHU Kee Hung
Vice President and Chief Scientific Officer

Non-executive Directors

Peter Peace TULLOCH
Non-executive Director
WONG Yue-chim, Richard
Independent Non-executive Director
KWOK Eva Lee
Independent Non-executive Director
Colin Stevens RUSSEL
Independent Non-executive Director

AUDIT COMMITTEE

WONG Yue-chim, Richard
Chairman
KWOK Eva Lee
Colin Stevens RUSSEL

REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor
Chairman
KWOK Eva Lee
Colin Stevens RUSSEL

COMPANY SECRETARY

Eirene YEUNG

QUALIFIED ACCOUNTANT

MO Yiu Leung, Jerry

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

AUTHORIZED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
JP Morgan Chase Bank, N.A.
Canadian Imperial Bank of Commerce
Commonwealth Bank of Australia
Citibank, N.A.

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Woo, Kwan, Lee & Lo
Dibb Lupton Alsop

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Reuters: 8222.HK

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http://www.ck-lifesciences.com

KEY DATES

Annual Results Announcement	17 March 2008
Closure of Register of Members	8 to 15 May 2008 *(both days inclusive)*
Annual General Meeting	15 May 2008

This annual report 2007 ("Annual Report") is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that received by writing to: Computershare Hong Kong Investor Services Limited, Rooms 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company's website at http://www.ck-lifesciences.com. Shareholders who have chosen to rely on copies of the Company's corporate communication (including but not limited to annual report, summary financial report (where applicable), half-year report, summary half-year report (where applicable), quarter report, notice of meeting, listing document, circular and proxy form) posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Annual Report.

Shareholders who have chosen to receive the corporate communication using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will promptly upon request be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communication by notice in writing to the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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