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: 0775)

HEALTHY LIVING

ANNUAL REPORT 2009

ABOUT CK LIFE SCIENCES

CK Life Sciences Int'l., (Holdings) Inc. is listed on 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, commercialisation, marketing and sale of biotechnology products. Products developed by CK Life Sciences are categorised 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.

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While the impact of the global financial crisis continued to affect the world economy in 2009, signs of recovery emerged in the second half of the year. Amidst this macro-economic landscape, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved good performance for the year ended 31 December 2009.

The Company recorded profit attributable to shareholders of HK$187.1 million, a substantial improvement over the loss of HK$351.8 million in 2008.

The significant turnaround can be largely attributed to increased profitability in the health sector, improved investment returns, as well as a reduction in finance costs.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2009.

NUTRACEUTICAL BUSINESS DELIVERED IMPROVED PERFORMANCE

In 2009, CK Life Sciences' nutraceutical business performed satisfactorily, with total sales from nutraceutical operations amounting to nearly HK$2 billion. Profitability of this segment was greatly improved, though turnover decreased marginally by 2% during the year under review.

CK Life Sciences' quality portfolio of revenue contributors in the nutraceutical sector comprises Santé Naturelle A.G. Ltée in Canada, Vitaquest International Holdings LLC in the United States and Lipa Pharmaceuticals Limited in Australia. These businesses all performed well in 2009 and recorded good improvement as compared to last year. The progress can be attributed to enhanced product mixes and reduction of operational costs.

AGRICULTURE BUSINESS PERFORMED SATISFACTORILY

CK Life Sciences' agriculture business recorded turnover of approximately HK$732.6 million, representing a decrease of 28% as compared to last year.

The Company's businesses in Australia, which comprise Ecofertiliser Pty Ltd and Accensi Pty Ltd, achieved good performances in 2009. However, they were unable to match the impressive results attained in the previous year due to the lower Australian dollar exchange rate as compared to 2008, decreased fertiliser prices as well as high levels of inventory in the trade.

The Company's operations in Mainland China, made up of domestic and export businesses, performed in line with expectations in 2009.

CONTINUING R&D ADVANCEMENT

CK Life Sciences continued to make good progress in regard to R&D initiatives during the course of 2009.

Studies on cancer immunotherapy are being carried out in the United States. A therapeutic vaccine for the treatment of melanoma is currently being developed, and preparations are being made for an Investigational New Drug application to the United States Food and Drug Administration which will enable the commencement of a Phase III clinical trial. Manufacturing of clinical trial materials is also progressing well.

A Phase III clinical trial is ongoing in Canada for CK Life Sciences' tetrodotoxin-based ("TTX") cancer pain management product. The patient recruitment process is progressing well and a planned interim analysis is expected to be available by the second quarter of 2010. In addition, the Company has also developed a plan for the proof of concept trial of TTX in chemotherapy-induced neuropathic pain. Plans are in place for this trial to commence in the United States and Canada in 2010, subject to regulatory approval and feasibility assessment.

Two cancer projects for targeted treatment of a variety of tumour types have been identified for further pre-clinical development. To date, promising results have been observed in treating cancers such as liver and pancreatic cancer – diseases which continue to be unmet medical needs, with current cancer therapies providing limited improvement in patient survival. If pre-clinical studies continue to be encouraging, they will be progressed into Investigational New Drug-enabling studies.

GOOD INVESTMENT INCOME

For the year under review, CK Life Sciences recorded increased profitability for its investments. Treasury items, including fair value changes on financial instruments, were HK$267.2 million. This compares with the loss of HK$315.7 million posted in 2008 and reflects an improvement in investment income over the course of the year.

PROSPECTS

CK Life Sciences will continue to leverage its sound fundamentals and steady business operations to drive for better performance in the future. Continued efforts will be made to streamline and consolidate existing operations. The Company will also explore opportunities to prudently expand during this time.

I would like to take this opportunity to thank our shareholders, Board of Directors and staff for their confidence in, and support for, the Company.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 1 March 2010

PHARMACEUTICAL BUSINESS

Headquartered in Hong Kong, the Life Sciences Research Institute carries out the Company's pharmaceutical R&D initiatives, focused primarily on cancer and cancer-related conditions. Two products are in advanced stages of clinical development in North America. The Life Sciences Research Institute is actively seeking partnership opportunities with academic institutions and biopharmaceutical companies in order to grow its pharmaceutical pipeline. It is also exploring out-licensing possibilities and identifying potential partners for co-development.

TARGETED CANCER THERAPIES

Two cancer projects have been identified for further pre-clinical development. CKBP002 and CKBP004 are being developed for the targeted treatment of a variety of tumour types. To date, promising results have been observed in treating cancers such as liver and pancreatic cancers – diseases which continue to be unmet medical needs, with current cancer therapies providing limited improvement in patient survival. If pre-clinical studies continue to be encouraging, CKBP002 and CKBP004 or their related analogues/derivatives will be progressed into Investigational New Drug ("IND")-enabling studies.

CKBP002

CKBP002 is a small molecule purified from a natural plant product.

The Life Sciences Research Institute has been working with contract research organisations and academic institutions, including the University of California at Los Angeles, to explore the anti-cancer activity of CKBP002 and related analogues/derivatives.

The *in vitro* tumour cell-line study with the NCI cell-line panel suggested that CKBP002 may have a strong growth inhibition effect against various types of human cancer (including liver, prostate, pancreas, brain, renal and breast cancers) and the inhibition effect is attributable to cell cycle arrest and apoptosis. Studies with human cancer xenograft animal models further demonstrated the promising anti-cancer property of CKBP002, especially in pancreatic and liver cancers. In the liver cancer model, CKBP002 exhibited comparable or superior efficacy as a single agent when compared to Nexavar and enhanced efficacy in a combination study.

The JAK-STAT3/5 and Raf-MEK-ERK pathways play important roles in carcinogenesis and aberrant activation of these two pathways are frequently found in human cancers. At the molecular level, CKBP002 showed obvious suppressive effect on these two pathways, suggesting that it may act as a JAK-STAT3/5 and Raf-MEK-ERK inhibitor to exert its anti-cancer activity.

Studies are ongoing with related analogues/derivatives of CKBP002 which may have enhanced properties compared to the natural product.

The Life Sciences Research Institute carries out the Company's R&D initiatives, focusing primarily on cancer and cancer-related conditions.

Two cancer projects have been identified for further pre-clinical development – CKBP002 and CKBP004.

CKBP004

CKBP004 is a small molecule derived from a natural product. Currently at the pre-clinical stage of development, it helps to enhance the efficacy and potency of chemotherapeutics against cancers and reduce chemotherapy-induced toxic side effects.

CKBP004 demonstrates anti-proliferative activity against human colorectal and lung cancer cell lines *in vitro*. In combination treatment with oncology chemotherapeutics, it also exhibits significantly additive or synergistic anti-cancer effect on human colorectal, prostate, and lung cancer cells *in vitro*. Cell cycle arrest and apoptosis induction are found to be its major modes of action. When administered concomitantly with anti-cancer chemotherapeutic *in vivo*, CKBP004 synergistically enhances the inhibitory effect on the growth of human tumour xenografts (e.g. prostate tumour) in athymic nude mice.

Evaluation of related CKBP004 analogues/derivatives with improved properties is continuing.

CANCER IMMUNOTHERAPY

The Life Sciences Research Institute is making progress in cancer immunotherapy through CK Life Sciences' subsidiary, Polynoma LLC ("Polynoma"), an oncology-focused biotechnology company based in the United States.

Polynoma is currently developing a therapeutic vaccine for the treatment of melanoma. Using a combination of antigens from three proprietary melanoma cell lines, the POL-103A vaccine stimulates the body's immune system to fight cancer cells. The vaccine has an encouraging safety profile with over 600 patients treated to date.

A Phase II randomised, double-blind, placebo-controlled study on the POL-103A vaccine has demonstrated a statistically significant improvement in recurrence-free survival in patients with resected Stage 3 melanoma.

A pre-Investigational New Drug ("Pre-IND") meeting was conducted with the United States Food and Drug Administration ("FDA") in September 2008. Polynoma's pre-IND meeting with the FDA followed the submission of a comprehensive data package to the FDA, setting out Polynoma's proposed Phase III clinical development path and seeking regulatory input from the FDA. The dialogue with the FDA provided guidance and recommendations to assist Polynoma in its preparation for filing of an IND application, which will enable the commencement of a Phase III clinical trial.

With a clear development path mapped out, IND-enabling activities have been accelerated. Manufacturing of clinical trial materials is also progressing well. The POL-103A melanoma vaccine is well-positioned to be the first new drug from a Hong Kong listed company approved to enter into Phase III clinical testing with the FDA.

Malignant melanoma is the most serious form of skin cancer. An estimated 100,000 new cases of melanoma are diagnosed annually in the world's seven major pharmaceutical markets, with 60,000 in the United States alone. The potential commercial value of the melanoma market is projected to exceed US$1 billion, with the United States and Australia being the major markets.

Polynoma, an oncology-focused biotechnology company based in the United States, is currently developing a therapeutic vaccine for the treatment of melanoma.

PAIN MANAGEMENT

WEX Pharmaceuticals Inc. ("WEX Pharma") is dedicated to the discovery, development, manufacture and commercialisation of innovative drug products to treat pain. Based in Vancouver, Canada, WEX Pharma is listed on the Toronto Stock Exchange.

The company's platform technology is built upon tetrodotoxin ("TTX"), a naturally-occurring sodium channel blocking compound found primarily in puffer fish. TTX is extremely potent, and much lower dosages than with other drugs are needed to produce an analgesic effect. WEX Pharma's lead product based on TTX is being developed as a medication to provide relief for various chronic pain conditions associated with cancer.

At present, the management of severe cancer pain generally includes the use of morphine and other opiates. This can often result in undesirable side effects, and treatment with this type of medication is not always effective. TTX is being developed in an attempt to fulfil this significant unmet medical need in cancer patients with moderate to severe pain. TTX has the advantage of being non-opioid and non-addictive, with quick onset of action and long lasting effects.

A Phase III clinical trial of TTX for the treatment of cancer pain is ongoing in Canada. This clinical trial is a multicentre, randomised, double-blind and placebo-controlled trial comparing the efficacy and safety of TTX to placebo in approximately 120 patients with moderate to severe inadequately controlled cancer-related pain.

Based on current enrolment rates, WEX Pharma anticipates enrolling the 60 patients required for a planned interim analysis by the second quarter of 2010. The interim analysis will be reviewed by an independent data monitoring committee, which will make a recommendation on continuing the trial based on the safety and efficacy assessments. Subject to a positive recommendation by the data monitoring committee, WEX Pharma is committed to the completion of the trial and seeking regulatory approval to market TTX in Canada and other jurisdictions.

WEX Pharma's platform technology is built upon tetrodotoxin, a naturally-occurring sodium channel blocking compound found primarily in puffer fish.

WEX Pharma has also developed a plan for a proof of concept trial of TTX in chemotherapy-induced neuropathic pain. Chemotherapy-induced neuropathic pain is an area of unmet medical need and the condition seriously impacts day-to-day functioning. A majority of patients treated with two widely-used classes of chemotherapy – the platinums and the taxanes – experience neuropathic pain that can be debilitating and/or dose-limiting for chemotherapy treatment. Subject to regulatory approval and feasibility assessment, WEX Pharma anticipates starting this trial in the United States and Canada in 2010.

The global market for pain therapeutics used in cancer patients is expected to reach at least US$23 billion by 2010. An independent primary market research study commissioned by WEX Pharma concluded that potential peak sales of TTX for painful chemotherapy-induced peripheral neuropathy could reach US$1 billion annually in North America alone.

During the year, CK Life Sciences acquired additional restricted voting shares of WEX Pharma through the conversion of a C$15.6 million Convertible Debenture to bring its holding to 75.25% of the total outstanding restricted voting shares in the company.

NUTRACEUTICAL BUSINESS

With a geographical presence in North America, Australia and Asia, CK Life Sciences' nutraceutical business performed well in 2009 and delivered steady returns amidst the global recession. Satisfactory sales were generated by the Company's quality product portfolio.

SANTÉ NATURELLE A.G.

Santé Naturelle A.G. Ltée ("SNAG") represents one of the oldest natural health companies in Québec, Canada. Over the last 60 years, it has established itself as a leader in science-based, high quality, effective natural health products. Today, SNAG is the bestselling range of nutraceuticals in Québec and is one of the largest natural health companies in Canada. One out of every two bottles of glucosamine purchased in Québec is branded SNAG.

Founded by Adrien Gagnon ND, an expert in naturopathy, the SNAG line of natural health products is committed to offering advanced, natural health formulae that are safe, reliable and effective.

By providing trusted, natural effective health solutions, SNAG helps to manage the health and wellness needs of its customers. With over 150 products on offer, SNAG is a market leader in terms of selection, value, and brand recognition for natural source vitamins, minerals and herbal supplements.

Upholding the strictest product quality standards has been crucial to the success of the SNAG brand. All SNAG products meet or exceed the standards set by Health Canada for purity and concentration, while manufacturing processes are carried out in accordance with Health Canada's Good Manufacturing Practice.

Looking ahead, SNAG will continue to enhance its range of health management solutions for customers. It will develop more natural health alternatives for promoting health and treating medical conditions, as well as increase the brand's geographical coverage to achieve growth.

The SNAG brand maintains the strictest product quality standards to provide safe and reliable health formulae to its customers.

SNAG has established itself as a leader in science-based, high quality, effective natural health products.

Vitaquest is engaged in the manufacturing of quality health supplements and is involved in product concept and development, formulation, packaging, marketing and distribution.

VITAQUEST

Vitaquest International Holdings LLC ("Vitaquest") is the leading custom contract manufacturer and distributor of health supplements in the United States. With a diverse customer base, Vitaquest serves the leading names in multi-level marketing and nutritional product distribution.

Since 1975, Vitaquest has been manufacturing quality health supplements, and is involved in product concept and development, formulation, packaging, marketing and distribution. Its manufacturing capability spans a range of product formats, from tablets, capsules, powders and pouches to liquids, creams and lotions.

With headquarters in West Caldwell, New Jersey, Vitaquest operates technologically advanced manufacturing facilities which meet the stringent Good Manufacturing Practice requirements for products marketed around the world, including the United States, Canada and Australia.

With the needs of North American industrial customers and end-users in mind, Vitaquest has an extensive range of new products in the pipeline. In addition to Vitaquest's technical advantages in the development of its multi-vitamin business, weight management and diet products, it is also investing in new time release and other innovative delivery technologies.

During the year, Vitaquest completed expansion of its manufacturing and warehouse facilities at the West Caldwell headquarters, and is well-positioned to capitalise on changing market trends and ever tightening quality standards by leveraging its versatile and quality manufacturing capability.

Vitaquest operates technologically advanced manufacturing facilities which meet stringent Good Manufacturing Practice requirements.

LIPA

Lipa Pharmaceuticals Limited ("Lipa") is a leading contract manufacturer of complementary healthcare medicines, vitamins and nutritional supplements in Australia. It also manufactures non-sterile prescription and over-the-counter medicines.

Lipa is committed to upholding the highest standards of testing, manufacturing, cleanliness and efficiency. By building on the core values of superior quality, customer service and client satisfaction, Lipa aims to maintain its strong market position. It counts among its customers almost all the leading brands of nutritional supplements on sale in Australia and New Zealand, and in selected markets in Asia.

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Located in western Sydney, Lipa's state-of-the-art manufacturing facility employs more than 350 staff and maintains the highest standards in equipment and technology. It can produce soft gelatin capsules, tablets, 2-piece hardshells, powders, liquids and creams. A strict quality assurance process ensures that Lipa fully complies with the requirements of the Australian Code of Good Manufacturing Practice for Medicinal Products.

AGRICULTURE BUSINESS

CK Life Sciences' agriculture-related businesses continued to make steady progress in 2009. With operations in Australia and Mainland China, the company's fertiliser products are also exported to key markets in Asia and the United States.

GREEN VISION

CK Life Sciences' agriculture-related businesses in Mainland China operate under Nanjing Green Vision Eco-technology Limited ("Green Vision").

Green Vision is a pioneer in fertiliser products in Mainland China, formulating, manufacturing and marketing a range of environmentally-friendly agricultural input solutions. Not only do these products help in reducing traditional chemical fertiliser usage, they also enhance the farmers' output performance and competitiveness.

Green Vision focuses on crop-specific fertiliser solutions which generate significant performance advantages over traditional products in the market. These include solutions designed for fruits, vegetables, broadacre and other specialty crops, marketed under the NutriSmart and NutriWiz brands. Through collaboration with the China National Rice Research Institute, Green Vision has made headway in the rice market with formulae endorsed by the Institute to significantly reduce chemical usage.

Working with major distributors and large-scale individual farming enterprises, Green Vision's marketing capability extends to all major agricultural provinces in Mainland China, including Guangdong, Guangxi, Jiangsu, Anhui, Zhejiang and Shandong.

Through Green Vision, a number of innovative fertiliser solutions are also exported to various countries in Asia and the United States.

Green Vision is focused on crop-specific fertiliser solutions which generate specific performance advantages over traditional products in the market.

Green Vision's marketing capability extends to all major agricultural provinces in Mainland China. In addition, Green Vision exports innovative fertiliser solutions to various countries in Asia and the United States.

Green Vision is a pioneer in fertiliser products in Mainland China, formulating, manufacturing and marketing a range of environmentally-friendly input solutions.

ECOFERTILISER GROUP

CK Life Sciences' eco-fertiliser businesses in Australia have been consolidated under Ecofertiliser Pty Ltd ("Ecofertiliser group"). This group of companies draws together business operations with over a hundred years of service to the Australian agriculture and horticulture markets.

The Ecofertiliser group comprises the following brands:

- Nuturf
- Amgrow
- Paton Fertilizers
- Fertico
- NutriSmart

Through these brands, CK Life Sciences is the owner of Australia's largest supplier of turf management products and services, and the second largest supplier in Australia's home garden products industry.

With operations spanning New South Wales, Queensland, South Australia, Victoria and Western Australia, the Ecofertiliser group companies are engaged in production, distribution, sales and technical support services nationally. The fertiliser distribution network covers the whole of Australia, while the fertiliser manufacturing facilities are located in South Australia and Queensland.

CK Life Sciences is the owner of Australia's largest supplier of turf management products and services, and the second largest supplier in Australia's home garden products industry.

The Ecofertiliser group draws together business operations with over a hundred years of service to the Australian agriculture and horticulture markets.

Seeking to provide effective, sustainable solutions for growing industries, the Ecofertiliser group's key markets are:

- Recreational turf
- Amenity horticulture
- Production horticulture
- Agriculture
- Home garden

Following a record-breaking year in 2008 when global fertiliser prices skyrocketed, 2009 saw some easement of pricing in the fertiliser industry. Accordingly, while the performance of the Ecofertiliser group remains very strong, it has not achieved the same highs as the previous year.

The Ecofertiliser group has continued to consolidate its operations to achieve cost savings and synergies. At the same time, efforts have been dedicated to strengthening the group's stable of brands in the Australian market and expanding into new market segments.

Accensi is the largest independent toll manufacturer of crop protection products in Australia.

ACCENSI

Accensi Pty Ltd ("Accensi") is the largest independent toll manufacturer of crop protection products in Australia. With production facilities located in Western Australia and Queensland, it manufactures a wide range of products for both local and multinational companies.

Toll manufacturing is Accensi's key area of expertise. Additional services offered by the company include technical formulation development, storage and distribution. With the ability to produce emulsifiable concentrates, suspension concentrates, aqueous solutions, coated granules, powders, as well as amination based reactions, Accensi offers a one-stop shop for all liquid crop protection products.

Accensi maintains the highest standards and complies fully with the standards of the Australian Pesticides and Veterinary Medicines Authority. It has held ISO 9001 quality accreditation since 1995.

The comprehensive R&D services offered by Accensi include formulation development and analytical services. In this area, the company utilises a wide range of traditional and modern technologies for customers' agricultural and horticultural product development.

During the year, Accensi re-configured some of its manufacturing facilities in Queensland for better cost and operational efficiency, as well as expanded storage capacity for raw materials in Queensland.

Additional services offered by Accensi include technical formulation development, storage and distribution.

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated results summary					
Turnover	691,004	2,047,622	2,091,592	2,991,797	**2,678,889**
Profit/(loss) attributable to equity holders of the Company	12,234	102,022	117,001	(351,768)	**187,098**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated statement of financial position summary					
Non-current assets	2,830,045	4,616,436	5,009,065	4,558,080	**4,863,285**
Current assets	850,838	1,315,218	1,930,920	1,645,646	**2,035,288**
Current liabilities	(365,333)	(520,195)	(884,144)	(716,277)	**(694,292)**
Non-current liabilities	(531,463)	(449,435)	(789,109)	(1,102,577)	**(1,127,713)**
Total net assets	2,784,087	4,962,024	5,266,732	4,384,872	**5,076,568**
Equity attributable to equity holders of the Company	2,736,260	4,946,453	5,151,313	4,270,768	**4,905,358**
Share option reserve of a subsidiary	–	–	–	–	**55**
Minority interests	47,827	15,571	115,419	114,104	**171,155**
Total equity	2,784,087	4,962,024	5,266,732	4,384,872	**5,076,568**

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2009, 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 2009, the total bank loans and overdrafts amounted to HK$1,061,685,000. 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$184,989,000 as at 31 December 2009 for loans and overdrafts of HK$117,885,000. The total finance costs of the Group for the year were HK$18,110,000.

At the end of 2009, the total assets of the Group were about HK$6,898,573,000, of which bank balances and deposits were about HK$636,895,000 and marketable securities were about HK$508,744,000. The bank interest generated for the year was HK$5,886,000. The total gain arising from the Group's investment segment for the year was HK$267,203,000.

The total net assets of the Group as at 31 December 2009 were HK$5,076,568,000 representing an increase of 16% as compared to the same reported last year. The net asset value of the Group was increased from HK$0.46 per share in 2008 to HK$0.53 per share in 2009. The gearing ratio of the Group as at 31 December 2009 was approximately 8.69%, which is calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK$636,895,000) over the equity attributable to equity holders of the Company.

The Group's treasury function operates as a centralised 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.

MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In June 2009, the Group completed the disposal of a distribution division of an overseas subsidiary (the "Disposal"). The Disposal constitutes a discloseable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and details of which are incorporated in the Company's announcement issued on 1 June 2009 and included in note 21 to the consolidated financial statements for the year ended 31 December 2009.

Other than the aforementioned, there was no other material acquisition/disposal which would have been required to be disclosed under the 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$67,767,000 in 2009.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2009, the total capital commitments by the Group amounted to HK$5,569,000 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 1,152 at the end of 2009, and is 163 less than the total headcount of 1,315 at the end of 2008. The total staff costs, including director's emoluments, amounted to approximately HK$544.5 million for the year under review, which represents a decrease of 13% as compared to the previous year. The decreases in staff costs were mainly due to the effective cost control of the Group.

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 2009 (2008: Nil).

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor

aged 45, has been the Chairman of the Company since April 2002 and the Chairman of the Remuneration Committee of the Company since March 2005. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. He is also the Deputy Chairman of Hutchison Whampoa Limited, the Chairman of Cheung Kong Infrastructure Holdings 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 ("HSBC"). Except for HSBC, all the companies mentioned above are listed companies. 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, the Greater Pearl River Delta Business Council and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is also the Honorary Consul of Barbados in Hong Kong. Mr. Victor Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a 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 a nephew of Mr. Kam Hing Lam, President and Chief Executive Officer of the Company. Mr. Victor Li is also a Director of certain companies which have interests in the 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. Mr. Victor Li also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam

aged 63, is the President and Chief Executive Officer of the Company 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. All the companies mentioned above are listed companies. He is a member of the 11th 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 an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Kam also holds directorships in certain companies controlled by a substantial shareholder of the Company.

IP Tak Chuen, Edmond

aged 57, 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 and a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited, Ruinian International Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Director of ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited), the manager of Fortune Real Estate Investment Trust which is listed in Singapore and ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust which is listed in Singapore. Mr. Ip was previously a Non-executive Director of The Ming An (Holdings) Company Limited (whose shares were withdrawn from listing on 2 November 2009). 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 certain companies which have interests in the 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. Mr. Ip also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

YU Ying Choi, Alan Abel

aged 54, is the Vice President and Chief Operating Officer of the Company responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. Mr. Yu is also the Chairman of Wex Pharmaceuticals Inc., a listed company. He 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 65, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. Dr. Chu is also a Director of Wex Pharmaceuticals Inc., a listed company. He 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 66, 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 certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. 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 Company in April 2002.

WONG Yue-chim, Richard, SBS, JP

aged 57, 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 is also an Independent Non-executive Director of each of Great Eagle Holdings Limited, Industrial and Commercial Bank of China (Asia) Limited, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and the Hong Kong Mercantile Exchange Limited ("HKMEx"). Except for HKMEx, all the companies mentioned above are listed companies. Professor Wong is also an Independent Non-executive Director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is listed in Hong Kong. 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 Company in June 2002 and is the Chairman of the Audit Committee of the Company.

KWOK Eva Lee

aged 67, currently serves as the Chair and Chief Executive Officer of Amara International Investment Corporation ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc., an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). Mrs. Kwok currently sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc. and the Audit Committee of Cheung Kong Infrastructure Holdings Limited. Except for Amara and LKS Canada Foundation, all the companies mentioned above are listed companies. In addition, she was an Independent Director for Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, 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 Company in June 2002 and is a member of the Audit Committee and the Remuneration Committee of the Company.

RUSSEL, Colin Stevens

aged 69, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. Mr. Russel also acts as the Managing Director of EMAS (HK) Limited. 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., all being listed companies. 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 Company in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

Hong Kong

CHAN Chin To

aged 52, is Vice President, Nutraceuticals Development, of the Company and is responsible for leading and coordinating global nutraceutical business activities. He holds a Bachelor's degree in Surveying from The University of Melbourne, Australia. With over 20 years of marketing and sales experience in leading multinational and local corporations, Mr. Chan has held a number of positions at Procter & Gamble, Swire Resources Ltd., Johnson & Johnson, and American Express International, Inc. Prior to joining the Company in September 2006, he was Sales Director of G2000 (Apparel) Ltd.

CHEN Lucas

aged 49, is Agribusiness Director of the Company. He holds a Master's degree in Business Administration from The University of British Columbia, Canada and a Bachelor of Science degree in Engineering from Shanghai Jiao-Tong University, China. He has over 18 years of experience in engineering, investment and agriculture gained from a variety of positions. Prior to joining the Company in June 2000, he was General Manager of a Chinese joint venture company, Shanghai YongSun Modern Agriculture Development Company.

FONG Mei Sun, Linda

aged 43, is Finance Director of the Company. She holds a Master's degree in Business Administration in Finance and International Business from the University of St. Thomas, U.S.A and a Bachelor's degree in Accounting from Sam Houston State University, U.S.A. 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 17 years of 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 Company in March 2008, she was Senior Business Analysis Manager of The Hongkong and Shanghai Banking Corporation Ltd.

HON King Sang, Dennis

aged 55, is Legal Counsel of the Company and has been with the Company since June 2002. He holds a Master of Laws degree from The University of London, U.K. 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 of legal experience and has held a number of senior positions in various major corporations, including Jardine Matheson and CEF Holdings Ltd.

KWOK Choi Mun

aged 41, is Finance Director of the Company. He holds a Bachelor of Commerce degree in Accounting from the University of New South Wales, Australia. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. He has over 19 years of financial management and accounting experience in both Hong Kong and Australia and has worked in a number of multinational corporations, including Colgate-Palmolive, Philip Morris and Stryker. Prior to joining the Company in April 2008, he was Director of Finance, Asia Pacific, of St. Jude Medical (Hong Kong) Ltd.

LEE Mai Kuen, Jane

aged 50, is Personnel Manager of the Company and is responsible for human resource and administration functions of the Company. She joined the Company in March 2002 and has been with the Cheung Kong Group since December 1995. She holds a Master of Science degree in Training and Human Resource Management from The University of Leicester, U.K. She has over 25 years of 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 (now renamed as Merck).

LIN Jian-er

aged 54, is Director, Product Development, of the Company. He holds a Doctor of Philosophy degree in Chemical Engineering from the University of Michigan, U.S.A and has over 20 years of experience in the research and development of biochemical/chemical processes and products. Dr. Lin has extensive experience in biotechnology and process optimisation, 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.A including Celgene Corporation, Technical Resources Inc., and Sybron Biochemicals (now known as Novozymes Biologicals). Prior to joining the Company in December 2003, he was Director, Process Development & Product Scale-Up of AgraQuest Inc, U.S.A.

MO Yiu Leung, Jerry

aged 50, is Vice President, Finance, of the Company and is responsible for all finance and IT functions of the Company. 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 25 years of experience in financial management, accounting and auditing from the manufacturing sector. He has held a number 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 Company in October 2005, Mr. Mo was Chief Financial Officer of Fong's Industries Company Limited.

NAM Cheung Ching, Adrian

aged 39, is Internal Audit Manager of the Company. He holds a Master of Science degree in Organisational Behaviour and a Bachelor of Science degree in Accounting and Finance both from The University of London, U.K. 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 of experience and has worked with PricewaterhouseCoopers, The Stock Exchange of Hong Kong, and the Securities and Futures Commission. Prior to joining the Company in June 2002, he was Manager, Compliance Divisions, of Mandatory Provident Fund Schemes Authority.

TOH Kean Meng, Melvin

aged 43, is Vice President, Pharmaceutical Development, of the Company. Dr. Toh has an 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, U.K. Dr. Toh has over 15 years of 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 Company in January 2008, he was Director of Clinical Pharmacology in Oncology Development, Pfizer Global R&D, U.S.A, where he headed a team of scientists who were 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 49, is Chief Corporate Affairs Officer and is responsible for the overall corporate activities of the Company, 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. Mrs. Tong Barnes 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. She has 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. Mrs. Tong Barnes joined the Company in January 2002.

WONG Kit Ying, Katherine

aged 39, is General Manager, Vital Care Hong Kong Ltd. She holds a Master of Arts degree in International Business Management and a Bachelor of Social Sciences degree in China Studies. She has over 15 years of sales and marketing experience in the consumer product industry, covering the food, beverage, personal care and toy industries. She was Brand Manager of the Company from August 2006 to July 2007. Rejoining the Company in February 2008 as Marketing Manager, Ms. Wong was appointed General Manager of Vital Care Hong Kong Ltd. in January 2009. Prior to joining the Company, she was Marketing Manager for Greater China in LEGO, a multinational toy manufacturing company.

YEUNG, Eirene

aged 49, the Company Secretary, has been with the Cheung Kong Group since August 1994 and she joined the Company 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, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited; the Company Secretary of Cheung Kong Infrastructure Holdings Limited; and a Director of ARA Asset Management (Fortune) Limited (formerly known as 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), a member of the Companies Ordinance Rewrite Advisory Group, a member of the Advisory Group on BBA-JD Programme of The Chinese University of Hong Kong and a member of the Public Affairs Forum, Home Affairs Bureau of the Hong Kong Special Administrative Region ("HKSAR"); and was a Part-time Member of the Central Policy Unit of the Government of 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.

Overseas

CARRIER, Louis

aged 44, is President and Chief Operating Officer of Santé Naturelle A.G. Ltée and is responsible for the Company's health supplement operations in Canada. He holds a Bachelor's degree in Business Administration from Sherbrooke University, Canada. Mr. Carrier joined Santé Naturelle A.G. Ltée in November 2009. Prior to joining Santé Naturelle A.G. Ltée, he has held a number of senior management positions in major corporations such as Unilever, Bristol Myers Squibb and Procter & Gamble, for over 20 years.

CORBETT, Dean

aged 47, is Chief Executive Officer of Accensi Pty Ltd and is responsible for the Company's crop protection business in Australia. He is a Fellow of the Australian Institute of Company Directors and has successfully completed their Graduates Course. Mr. Corbett has over 25 years of experience in the crop protection industry, the majority of which as Managing Director of Accensi Pty Ltd (formerly A&C Chemicals Pty Ltd), latterly as CEO since 2007. Mr. Corbett is an active member of industry bodies, serving as director on the boards of AgStewardship Australia and CropLife Australia.

FRANKEL, Keith

aged 45, is Chief Executive Officer and Director of Vitaquest International LLC and is responsible for the Company's health supplements contract manufacturing operations in the U.S.A. He graduated from the American University, U.S.A with a Bachelor's degree in Marketing. Prior to the acquisition of Vitaquest International by the Company, Mr. Frankel had served as President and CEO of Vitaquest since 1996 and had been Vice President of Marketing and Sales since 1986. A pioneer in direct marketing and electronic media, Mr. Frankel developed and directed substantial sales through a variety of distribution channels, including electronic retail, infomercial and direct to consumer. Mr. Frankel has received numerous commendations in his service to the direct selling, sports nutrition and electronic retail industries.

HUANG, Bin

aged 53, is President and Chief Executive Officer of WEX Pharmaceuticals Inc. WEX, a publicly listed company in Canada, is focused on the development and commercialisation of innovative drug products, primarily for pain management. Dr. Huang received her Ph.D. in Cell Biology from the University of East Anglia, U.K., and her Master of Business Administration degree from the University of Toronto, Canada. She has extensive senior executive management experience. Prior to joining WEX in November 2007, Dr. Huang was CEO of GeneHarbour Technologies (Hong Kong), President & Chief Executive Officer of Cytovax Biotechnologies Inc. in Canada, Vice President of Business Development at Monsanto Canada and was a top-ranked biotech analyst in Canada while she was a partner at GMP Securities.

OPACIC, Bob

aged 54, is Chief Executive Officer of Ecofertiliser Pty Ltd and is responsible for the Company's operations which serve the agriculture, horticulture, golf and turf and home garden markets in Australia. A Master of Business Administration graduate, Mr. Opacic holds a Postgraduate Diploma in Finance and a Diploma in Accounting, and is an associate of the Institute of Chartered Secretaries and Administrators. He originally joined one of Ecofertiliser Pty Ltd's constituent companies, Envirogreen Pty Ltd., a joint venture between Brambles and CSR, in 1996 as General Manager. He has extensive experience in all facets of the manufacturing and distribution industries, having previously spent over 20 years with Ashland Inc., taking up various posts around the world.

PEJNOVIC, Dusko

aged 50, is Chief Executive Officer of Lipa Pharmaceuticals Ltd. and is responsible for the Company's health supplements and OTC pharmaceuticals operations in Australia. He joined Lipa in June 2006 and took over the role of Chief Executive Officer in August 2007 prior to the acquisition of Lipa by the Company in November 2007. He holds a Master's degree in Business Administration and a Bachelor's degree in Chemistry. He is a Fellow of the Australian Institute of Management and a Board Member of the Complementary Health Care Council of Australia. Mr. Pejnovic has extensive senior executive management experience in a range of large and medium, local and international corporations spanning diverse fields of operational activities including, pharmaceuticals, foods, confectionery, industrial FMCG as well as B2B services.

TONG, Victor

aged 59, is Chief Financial Officer of CK Life Sciences (North America) Inc., and oversees the accounting, financial reporting and financial management functions of the Company's North American subsidiaries and associate companies. Mr. Tong received his Master of Business Administration degree from York University, Canada and his Bachelor of Business Administration degree from the University of Wisconsin, U.S.A. He was a lecturer at York University's M.B.A. program, and qualified as a professional accountant in the province of Ontario, Canada. Prior to joining the Company, Mr. Tong spent over 18 years in investment banking in Canada, primarily with global firms such as BMO Nesbitt Burns, HSBC and Deloitte. His areas of specialisation are corporate finance and mergers and acquisitions, serving corporate clients around the world.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 43.

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 14 to the consolidated financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 33 to the consolidated 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 47.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 18.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 135 and their biographical information is set out on pages 21 to 24.

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. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond 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 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the 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 2009, 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 for 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	–	–	4,355,634,570 (Note)	4,357,884,570	45.34%
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 4,355,634,570 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 4,355,634,570 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 and revised on 16 March 2009 ("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 2009 were as follows:

		Number of share options						
Name of Director	Date of grant	Outstanding as at 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2009	Option period	Subscription price per share HK$
Yu Ying Choi, Alan Abel	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
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 2009, 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 2009, 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 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 2009, options to subscribe for an aggregate of 9,370,113 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 2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2009	Option period	Subscription price per share HK$
30/9/2002	2,167,634	–	–	(564,248)	–	1,603,386	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	4,848,823	–	–	(1,108,264)	–	3,740,559	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	5,269,312	–	–	(1,243,144)	–	4,026,168	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 2009, 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	4,355,634,570	45.31%
Gotak Limited	Interest of a controlled corporation	4,355,634,570 (Note i)	45.31%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,355,634,570 (Note ii)	45.31%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,355,634,570 (Note iii)	45.31%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,355,634,570 (Note iii)	45.31%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	4,355,634,570 (Note iii)	45.31%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,355,634,570 (Note iv)	45.31%
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 2009, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

(1) Core business activities of the Group

(i) Research and development, manufacturing, commercialisation, marketing and selling of environmental and human health products, and water business; and

(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)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(ii)
	Hutchison Whampoa Limited	Executive Director and Deputy Chairman	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman	(i) & (ii)
	Hongkong Electric Holdings Limited	Executive Director	(ii)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(ii)
	Hutchison Whampoa Limited	Executive Director	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director	(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)
	AVIC International Holding (HK) Limited *(formerly known as 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 *(whose shares were withdrawn from listing on 2 November 2009)*	Non-executive Director *(resigned on 27 November 2009)*	(ii)
	ARA Asset Management Limited	Non-executive Director	(ii)
	Ruinian International Limited	Non-executive Director	(i)
Yu Ying Choi, Alan Abel	Wex Pharmaceuticals Inc.	Chairman	(i)

Note: Such businesses may be conducted through the relevant companies' subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with 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 2009 under the Listing Rules:

(1) Lease Agreements

On 1 March 2005 and 5 May 2009, Vitaquest International LLC, a subsidiary of the Company, entered into lease agreements ("Lease Agreements") (as defined and more particularly described in the announcements of the Company dated 30 March 2006 (the "VQ Announcement I") and 5 May 2009 (the "VQ Announcement II", and together with VQ Announcement I, collectively referred to as the "VQ Announcements")) with Leknarf Associates, LLC ("Leknarf"), under which (i) three leases in respect of the Premises (as defined and more particularly described in the VQ Announcement I) from Leknarf or its predecessor were renewed for a term of fifteen years commencing from 1 March 2005; and (ii) a lease in respect of the Premises (as defined and more particularly described in the VQ Announcement II) from Leknarf commenced from 1 May 2009 and expires on 28 February 2020 (hereinafter collectively referred to as the "Continuing Connected Transactions I"). The rents payable for the respective lease under the Lease Agreements 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 Announcements, the annual rental for the leases under the Lease Agreements were approximately US$228,000 (approximately HK$1,774,000), approximately US$1,127,000 (approximately HK$8,768,000), approximately US$551,000 (approximately HK$4,287,000) and US$616,000 (approximately HK$4,804,800) respectively. The annual fixed rent and other expenses (including real estate taxes, operating expenses, utility expenses and costs of maintenance) payable during the term of the lease described in VQ Announcement II cannot exceed the relevant annual caps set out below:-

For the year ended/ending 31 December (in US$'000)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
493	749	764	779	795	811	827	844	860	878	895	150

During the year, the rentals paid to Leknarf for the leases under the Lease Agreements amounted to US$241,277 (HK$1,882,000), US$1,190,225 (HK$9,284,000), US$581,648 (HK$4,537,000) and US$410,664 (HK$3,203,000) respectively. The rents for the leases under the Lease Agreements 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 Listing Rules. According to Rule 14A.41 of the Listing Rules, the Lease Agreements are subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules.

Details of the Continuing Connected Transactions I were disclosed in the VQ Announcements.

(2) 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 22 April 2008 (the "Supply Circular")) were expired on 31 December 2008.

On 2 April 2008, 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 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 2009 to 31 December 2011; (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 the voting power at any general meeting 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 merchandising services to be rendered by the HIL Group) (all transactions mentioned above being collectively referred to as the "Continuing Connected Transactions II").

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

Category of the Continuing Connected Transactions II	Annual caps (in HK$) For the year ended 31 December 2009	For the year ending 31 December 2010	For the year ending 31 December 2011
1. The value of the Products to be provided under the transactions under or pursuant to the New CKH Supply Agreement	1,000,000	1,500,000	2,000,000
2. Transactions under or pursuant to the New HIL Supply Agreement:			
(a) the value of the Products to be provided to the HIL Group;	110,000,000	180,000,000	250,000,000
(b) the value of the Sales Related Payments payable by the Group	17,000,000	27,000,000	38,000,000

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$118,000 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$16,991,000 and HK$3,140,000 respectively. Details of the Continuing Connected Transactions II were disclosed in the Supply Circular and the Continuing Connected Transactions II have been approved by the independent shareholders of the Company at the Company's annual general meeting held on 15 May 2008.

Both the Continuing Connected Transactions I and the Continuing Connected Transactions II (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 2009 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 14A.38 of the Listing Rules, the Company has engaged the auditor 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 auditor has performed these procedures and reported the factual findings to the Board that the Continuing Connected Transactions for the year 2009 (i) have received the approval of the Board and (ii) have not exceeded the relevant caps set out above, if applicable; and the samples that the auditor 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, if applicable.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

DISCLOSURE UNDER RULE 13.21 OF THE 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 ("HSBC 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 HSBC Loan Facility Agreements is for a 3-year term loan (the "HSBC Term Loan") and the other is for an operating facility (together the "HSBC Facilities") under which the Company guarantees the obligations of its wholly-owned subsidiaries under the HSBC Facilities. In March 2008, the HSBC Facilities were renewed and the maturity date of the HSBC Term Loan was extended to 15 May 2011. As at 31 December 2009, the outstanding balance of the HSBC Facilities amounted to HK$117,885,000. The provisions of the HSBC Loan Facility Agreements require at least 44.01% direct or indirect interest in the Company to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). This obligation has been complied with.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2009 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 120 and 121.

AUDITOR

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

On behalf of the Board

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 1 March 2010

Deloitte.
德勤

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 43 to 106, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2009 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

1 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**2,678,889**	2,991,797
Cost of sales		**(1,839,133)**	(2,084,217)
		839,756	907,580
Other income, gains and losses	7	**292,345**	(275,863)
Staff costs	8	**(310,077)**	(344,459)
Depreciation		**(34,724)**	(31,876)
Amortisation of intangible assets		**(47,808)**	(50,412)
Other expenses		**(494,779)**	(442,233)
Revaluation deficit on building		**–**	(11,420)
Finance costs	9	**(18,110)**	(66,982)
Share of results of associates		**(11,272)**	(9,878)
Profit/(loss) before taxation		**215,331**	(325,543)
Taxation	10	**(29,271)**	(27,540)
Profit/(loss) for the year	11	**186,060**	(353,083)
Attributable to:			
Equity holders of the Company		**187,098**	(351,768)
Minority interests		**(1,038)**	(1,315)
		186,060	(353,083)
Earnings/(loss) per share	12		
– Basic		**1.95 cents**	(3.66 cents)
– Diluted		**1.95 cents**	(3.66 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**186,060**	(353,083)
Other comprehensive income		
Exchange difference arising from translation of overseas operations	**421,711**	(530,572)
Revaluation attributable to assets previously held as interest in an associate	**25,781**	–
Gain/(loss) on fair value changes of available-for-sale investments	**26,918**	(27,104)
Reclassification adjustment upon disposal/impairment of available-for-sale investments	**(26,918)**	27,104
Reclassification adjustment upon disposal of investments	**–**	1,795
Other comprehensive income for the year	**447,492**	(528,777)
Total comprehensive income for the year	**633,552**	(881,860)
Total comprehensive income attributable to:		
Equity holders of the Company	**634,590**	(880,545)
Minority interests	**(1,038)**	(1,315)
	633,552	(881,860)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**458,923**	432,803
Prepaid lease for land	15	**11,761**	12,074
Intangible assets	16	**3,972,183**	3,722,997
Interests in associates	17	**17,842**	44,472
Convertible debentures issued by an associate	18	**–**	58,885
Available-for-sale investments	19	**150,101**	209,343
Investments at fair value through profit or loss	20	**192,839**	58,430
Deferred taxation	32	**21,056**	19,076
Long-term receivables	21	**38,580**	–
		4,863,285	4,558,080
Current assets			
Debt investment	22	**–**	59,474
Investments at fair value through profit or loss	20	**163,171**	139,351
Derivative financial instruments	23	**2,633**	15,780
Tax recoverable		**762**	3,629
Inventories	24	**425,921**	463,711
Receivables and prepayments	25	**805,906**	615,195
Deposits with financial institutions	26	**–**	44,952
Bank balances and deposits	27	**636,895**	303,554
		2,035,288	1,645,646
Current liabilities			
Payables and accruals	28	**(621,545)**	(588,995)
Derivative financial instruments	23	**(23,087)**	(99,398)
Bank overdrafts	27	**(385)**	(7,445)
Finance lease obligations	30	**(580)**	(494)
Taxation		**(48,695)**	(19,945)
		(694,292)	(716,277)
Net current assets		**1,340,996**	929,369
Total assets less current liabilities		**6,204,281**	5,487,449

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank loans	29	**(1,061,300)**	(1,045,675)
Finance lease obligations	30	**(807)**	(1,108)
Loan from a minority shareholder	31	**(34,333)**	(25,907)
Deferred taxation	32	**(31,273)**	(29,887)
		(1,127,713)	(1,102,577)
Total net assets		**5,076,568**	4,384,872
Capital and reserves			
Share capital	33	**961,107**	961,107
Share premium and reserves		**3,944,251**	3,309,661
Equity attributable to equity holders of the Company		**4,905,358**	4,270,768
Share option reserve of a subsidiary		**55**	–
Minority interests		**171,155**	114,104
Total equity		**5,076,568**	4,384,872

Li Tzar Kuoi, Victor
Director

Ip Tak Chuen, Edmond
Director

1 March 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Share option reserve of a subsidiary HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	961,107	4,147,543	(1,795)	93,935	7,291	–	(56,768)	5,151,313	–	115,419	5,266,732
Loss for the year	–	–	–	–	–	–	(351,768)	(351,768)	–	(1,315)	(353,083)
Exchange difference arising from translation	–	–	–	(530,572)	–	–	–	(530,572)	–	–	(530,572)
Loss on fair value changes of available-for-sale investments	–	–	(27,104)	–	–	–	–	(27,104)	–	–	(27,104)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	27,104	–	–	–	–	27,104	–	–	27,104
Reclassification adjustment upon disposal of investments	–	–	1,795	–	–	–	–	1,795	–	–	1,795
Total comprehensive income for the year	–	–	1,795	(530,572)	–	–	(351,768)	(880,545)	–	(1,315)	(881,860)
Employee's share option lapsed during the year	–	–	–	–	(1,165)	–	1,165	–	–	–	–
At 1 January 2009	**961,107**	**4,147,543**	**–**	**(436,637)**	**6,126**	**–**	**(407,371)**	**4,270,768**	**–**	**114,104**	**4,384,872**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**187,098**	**187,098**	**–**	**(1,038)**	**186,060**
Exchange difference arising from translation	**–**	**–**	**–**	**421,711**	**–**	**–**	**–**	**421,711**	**–**	**–**	**421,711**
Revaluation attributable to assets previously held as interest in an associate	**–**	**–**	**–**	**–**	**–**	**25,781**	**–**	**25,781**	**–**	**–**	**25,781**
Gain on fair value changes of available-for-sale investments	**–**	**–**	**26,918**	**–**	**–**	**–**	**–**	**26,918**	**–**	**–**	**26,918**
Reclassification adjustment upon disposal of available-for-sale investments	**–**	**–**	**(26,918)**	**–**	**–**	**–**	**–**	**(26,918)**	**–**	**–**	**(26,918)**
Total comprehensive income for the year	**–**	**–**	**–**	**421,711**	**–**	**25,781**	**187,098**	**634,590**	**–**	**(1,038)**	**633,552**
Arising from acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58,071**	**58,071**
Employees' share options benefits for a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55**	**18**	**73**
Employee's share option lapsed during the year	**–**	**–**	**–**	**–**	**(1,428)**	**–**	**1,428**	**–**	**–**	**–**	**–**
At 31 December 2009	**961,107**	**4,147,543**	**–**	**(14,926)**	**4,698**	**25,781**	**(218,845)**	**4,905,358**	**55**	**171,155**	**5,076,568**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit/(loss) before taxation		**215,331**	(325,543)
Share-based payment expense		**73**	–
Share of results of associates		**11,272**	9,878
Finance costs		**18,110**	66,982
Depreciation		**59,768**	60,130
Amortisation of prepaid lease for land		**313**	314
Impairment of available-for-sale investments		**–**	27,104
Gain on disposal of available-for-sale investments		**(26,918)**	–
Gain on disposal of assets	21	**(20,863)**	–
Net (gain)/loss on investments at fair value through profit or loss		**(184,381)**	239,667
Net (gain)/loss on derivative financial instruments		**(24,773)**	43,499
Revaluation deficit on building		**–**	11,420
Loss/(gain) on disposal of property, plant and equipment		**7,199**	(1,599)
Interest income		**(22,158)**	(22,473)
Amortisation of intangible assets		**47,808**	50,412
Intangible assets written off		**150,102**	–
Net impairment of trade receivables		**25,668**	27,436
Inventories written off		**3,891**	1,499
Operating cash flows before working capital changes		**260,442**	188,726
Decrease/(increase) in inventories		**69,487**	(108,665)
Increase in receivables and prepayments		**(148,992)**	(32,828)
Decrease in payables and accruals		**(25,313)**	(55,089)
Profits tax paid		**(5,950)**	(14,962)
Net cash from/(used in) operating activities		**149,674**	(22,818)
Investing activities			
Purchases of property, plant and equipment		**(58,861)**	(42,765)
Proceeds from disposal of property, plant and equipment		**12,972**	2,291
Purchase of subsidiaries	40	**46,458**	(206,026)
Proceeds from disposal of subsidiary in prior year		**–**	17,028
Proceeds from disposal of assets	21	**4,680**	–
Repayment of a promissory note receivable	21	**66,821**	–
Purchase of convertible debentures issued by an associate		**(26,240)**	(59,260)
Purchase of debt investment		**–**	(58,706)
Purchases of investments at fair value through profit or loss		**(224,688)**	(388,090)
Purchase of available-for-sale investment		**(43,400)**	(86,346)
Net proceeds from disposal of debts investments		**61,152**	–
Net proceeds from disposal of investments at fair value through profit or loss		**191,093**	346,717
Net proceeds from disposal of available-for-sale investment		**129,561**	–
Expenditure on intangible assets		**(32,716)**	(32,415)
Decrease/(increase) in deposits with financial institutions		**44,952**	(4,821)
Interest received		**9,454**	14,973
Net cash from/(used in) investing activities		**181,238**	(497,420)

	Note	2009 HK$'000	2008 HK$'000
Financing activities			
New bank loans raised		**266**	1,100,222
Repayment of bank loans		**–**	(942,593)
Finance leases obligations repaid		**(546)**	(998)
Interest paid		**(17,828)**	(66,697)
Repayment of loan from a minority shareholder of a subsidiary		**(1,189)**	(1,469)
Net cash (used in)/from financing activities		**(19,297)**	88,465
Net increase/(decrease) in cash and cash equivalents		**311,615**	(431,773)
Cash and cash equivalents at beginning of the year		**296,109**	753,500
Effect of foreign exchange rate changes		**28,786**	(25,618)
Cash and cash equivalents at end of the year	27	**636,510**	296,109

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on 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, commercialisation, 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations (collectively "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described below, the adoption of the new and revised HKFRSs had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosure required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective for the financial period beginning on 1 January 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKAS 24 (Revised)	Related Party Disclosures [6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Rights Issues [4]
HKAS 39 (Amendment)	Eligible Hedged Items [1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [3]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [5]

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

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

Based on the existing available information, the directors of the Company preliminarily anticipate that the adoption of the other new and revised standards, amendments or interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, 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 consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(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 the effective dates of acquisition and up to the effective date of disposal, as appropriate.

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 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 are able to make an additional investment to cover the losses.

(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 recognised at their fair values at the acquisition date.

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

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 recognised immediately in profit or loss.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 consolidated statement of financial position 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 recognised in other comprehensive income and accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss 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 items of property, plant and equipment other than freehold land and construction in progress over their estimated useful live, 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 recognised 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.

An item of property, plant and equipment is derecognised 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 (calculated as the difference between the net disposal proceed and carrying value of the item) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 profit or loss over the period of the lease on a straight-line basis.

(e) Intangible assets

i. Development costs

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activities. Capitalised development costs are stated at cost less amortisation and impairment losses. Amortisation of development costs is charged to profit or loss 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 recognised at cost and at fair value respectively. After initial recognition, patents are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation 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.

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 recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating units, the attributable amount of goodwill capitalised 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 recognised at fair value at the acquisition date. Trademarks with indefinite useful lives are not amortised 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 recognised 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 recognised for the asset in prior years.

v. Concession assets

The assets under the concession arrangements are classified as intangible assets if the operator receives a right (a license) to charge users of the public service or as financial assets if paid by the granting authority. Under the intangible asset model, the concession assets are amortised over the term of the concession of 25 years on a straight-line basis.

vi. Other intangible assets (including customer relationship, distribution network and non-competition agreement)

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

(f) Impairment

At the end of the reporting period, 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 asset 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment (cont'd)

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 recognised for the assets/cash-generating unit in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under other standards, in which case the reversal of the impairment loss is treated as a revaluation increase under those standards.

(g) Investments in associates

An associate is an entity over which the investor 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 consolidated statement of financial position at cost plus the Group's share of their aggregate post-acquisition results and other comprehensive income less dividends received and provision for any identified impairment loss. Results of associates are incorporated in the consolidated 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 recognising its share of further losses. An additional share of losses is provided for and a liability is recognised 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 recognised on the consolidated statement of financial position 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 recognised and derecognised 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 marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

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 and 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 to the net carrying amount on initial recognition.

Interest income/expense is recognised on an effective interest basis.

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 arising from remeasurement being recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

A financial asset/liability is classified as held for trading if:

– it has been acquired/incurred principally for the purpose of selling/repurchasing 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 recognised 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 recognised in other comprehensive income and accumulated in investment revaluation reserve. Upon disposal or when these financial assets are determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve is removed from the reserve and recognised in profit or loss (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 the end of each reporting period 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, unquoted debt investment, 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 carry at amortised 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 the end of the reporting period. 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 other comprehensive income and accumulated in investment revaluation reserves.

v. Other financial liabilities

Other financial liabilities including bank loans, other loans and payables are measured at amortised 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 other comprehensive income 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 realisable value. Cost is calculated using the weighted average method.

(j) Revenue recognition

Revenue is recognised 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 recognised when goods are delivered and title has passed. Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding using the effective interest method. Service income is recognised 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 capitalised 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 capitalised 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 profit or loss 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. Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term. Benefit received and receivable as an incentive to enter into an operating lease recognised 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 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 recognised 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 recognised 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 recognised in profit or loss 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. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing rates at that 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 other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Such exchange differences are recognised 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 end of the reporting period. Exchange differences arising therefrom are recognised in the translation 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 end of the reporting period.

Deferred tax is recognised 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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilised the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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 the Group to 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 2009 and 2008, no impairment loss has been identified.

Determining whether capitalised 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.

Details of the impairment test on goodwill and capitalised development costs are set out in note 16.

As at 31 December 2009, a deferred tax asset of HK$21,056,000 (2008: HK$19,076,000) has been recognised in the Group's consolidated statement of financial position. The realisability 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 recognised in the profit or loss for the period in which such a reversal takes place.

5. RISK MANAGEMENT

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 2009, the gearing ratio of the Group is 8.69% (2008: 16.54 %).

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 end of the reporting period.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position 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 the end of the reporting period 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 25.

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Apart from certain derivative financial instruments and investments for long term strategic purposes, the Group's investments are normally in liquid securities quoted on recognised 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.

(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 end of the reporting period are analysed into relevant maturity buckets based on their contractual maturity dates in the table below:

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(b) Liquidity risk (cont'd)

	Payables and accruals HK$'000	Bank overdrafts HK$'000	Bank loans HK$'000 (note)	Finance lease obligations HK$'000	Loan from a minority shareholder HK$'000 (note)	Total HK$'000
2009						
Carrying amount	**621,545**	**385**	**1,061,300**	**1,387**	**34,333**	**1,718,950**
Total contractual undiscounted cash flow						
Within 1 year or on demand	**621,545**	**385**	**10,875**	**682**	**5,550**	**639,037**
More than 1 year but less than 2 years	**–**	**–**	**1,067,406**	**839**	**2,915**	**1,071,160**
More than 2 years but less than 5 years	**–**	**–**	**–**	**–**	**8,486**	**8,486**
More than 5 years	**–**	**–**	**–**	**–**	**41,525**	**41,525**
	621,545	**385**	**1,078,281**	**1,521**	**58,476**	**1,760,208**
2008						
Carrying amount	588,995	7,445	1,045,675	1,602	25,907	1,669,624
Total contractual undiscounted cash flow						
Within 1 year or on demand	588,995	7,445	23,507	623	2,530	623,100
More than 1 year but less than 2 years	–	–	23,508	558	2,681	26,747
More than 2 years but less than 5 years	–	–	1,058,891	656	6,188	1,065,735
More than 5 years	–	–	–	–	37,087	37,087
	588,995	7,445	1,105,906	1,837	48,486	1,752,669

Note:

The interest portion included in the undiscounted cash flow is calculated based on the balances as at 31 December 2009 and 31 December 2008 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 end of reporting period.

5. RISK MANAGEMENT (CONT'D)

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 debt 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 20, 22, 23, 26 and 27.

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 minimise the FVIR Risk. Details of the Group's bank loans have been disclosed in note 29.

As at 31 December 2009, 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 have been HK$5,307,000 lower/higher (2008: loss before taxation for the year would have been HK$5,228,000 higher/lower), 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 end of next annual reporting period. The above sensitivity analysis is based on the bank loan balances of HK$1,061,300,000 as at 31 December 2009 (2008: HK$1,045,675,000) 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.

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(e) Other price risk

The Group is exposed to securities price changes arising from its available-for-sale investments and investments at fair value through profit or loss (notes 19 and 20).

All of the Group's trading securities and certain available-for-sale investments are listed on the Stock Exchange or other recognised 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 and available-for-sale investments are held for long term strategic purpose.

If the prices of the respective listed equity and debt securities had been 5% higher/lower, the Group's profit before taxation would increase/decrease by HK$8,159,000 (2008: loss before taxation would decrease/increase by HK$9,930,000) 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 end of next annual reporting period.

(f) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(f) Fair value measurements (cont'd)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	**Total HK$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	163,171	–	–	**163,171**
Debt securities – unlisted	–	192,839	–	**192,839**
Derivative financial assets	–	2,633	–	**2,633**
Total	163,171	195,472	–	**358,643**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	23,087	–	**23,087**

There were no transfers between Level 1 and 2 in the current year.

6. 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:

	2009 HK$'000	2008 HK$'000
Environment	**732,586**	1,016,872
Health	**1,928,237**	1,961,166
Investment	**18,066**	13,759
	2,678,889	2,991,797

7. OTHER INCOME, GAINS AND LOSSES

	2009 **HK$'000**	2008 HK$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	**5,886**	14,973
Interest income from convertible debentures issued by an associate	**11,026**	6,732
Other interest income	**3,568**	–
Gain on disposal of assets (note 21)	**20,863**	–
Impairment on available-for-sale investments	**–**	(27,104)
Gain on disposal of available-for-sale investments	**26,918**	–
Net gain/(loss) on investments at fair value through profit or loss		
– Investments held for trading	**49,971**	17,183
– Others	**134,410**	(256,850)
Net gain/(loss) on derivative financial instruments	**24,773**	(43,499)

8. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$544.5 million (2008: HK$628.1 million) of which HK$234.4 million (2008: HK$269.8 million) relating to direct labor costs was included in cost of sales. In 2008, staff costs of HK$13.8 million relating to development activities was capitalised as development costs under intangible assets.

Staff costs also include operating lease rentals of HK$0.1 million (2008: HK$0.8 million) in respect of accommodation provided to staff.

9. FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**14,396**	62,753
Bank overdrafts	**181**	1,220
Loan from a minority shareholder	**3,392**	2,838
Finance leases	**141**	171
	18,110	66,982

10. TAXATION

	2009	2008
	HK$'000	HK$'000
The tax expenses for the year represents:		
Current tax		
Hong Kong	**9,290**	7,467
Other jurisdictions	**23,019**	2,959
Under provision in prior years		
Other jurisdictions	**1,595**	4,429
Deferred tax (Note 32)		
Hong Kong	**157**	(62)
Other jurisdictions	**(4,790)**	12,747
	29,271	27,540

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax expenses for the year can be reconciled to the profit/(loss) before taxation as follows:

	2009	2008
	HK$'000	HK$'000
Profit/(loss) before taxation	**215,331**	(325,543)
Notional tax at tax rate of 16.5%	**35,530**	(53,714)
Tax effect of share of results of associates	**1,860**	1,630
Tax effect of non-deductible expenses	**29,875**	77,091
Tax effect of non-taxable income	**(64,647)**	(49,198)
Tax effect of tax losses not recognised	**22,340**	43,049
Under provision in prior years	**1,595**	4,429
Tax effect of utilisation of tax losses previously not recognised	**(8,617)**	(1,835)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8,327**	8,953
Others	**3,008**	(2,865)
Tax expenses	**29,271**	27,540

11. PROFIT/(LOSS) FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year has been arrived at after charging:		
Auditor's remuneration	**9,147**	9,744
Depreciation of property, plant and equipment		
Owned assets	**59,241**	61,381
Assets held under finance leases	**527**	544
	59,768	61,925
Amount included in production overheads	**(25,044)**	(28,254)
Amount capitalised as development costs	**–**	(1,795)
	34,724	31,876
Research and development expenditure	**67,767**	61,152
Amount capitalised as development costs (Inclusive of capitalised depreciation of HK$1,795,000 in 2008)	**(32,602)**	(32,768)
	35,165	28,384
Intangible assets written off	**150,102**	–
Amortisation of development costs	**4,028**	3,807
	189,295	32,191
Share-based payment	**73**	–
Impairment of trade receivables	**30,555**	27,436
Inventories written off	**3,891**	1,499
Operating lease expenses		
– land	**313**	314
– other properties	**27,501**	28,617
Loss on disposal of property, plant and equipment	**7,199**	–
Exchange loss	**–**	26,406
and after crediting:		
Dividend income from listed securities (included in turnover)	**837**	932
Bad debt recovery	**4,887**	–
Exchange gain	**18,033**	–
Gain on disposal of property, plant and equipment	**–**	1,599
Interest income from debt investments (included in turnover)		
– Unlisted	**5,908**	4,089
Interest income from investments at fair value through profit or loss (included in turnover)		
– Listed	**842**	287
– Unlisted	**10,479**	8,451

12. EARNINGS/(LOSS) PER SHARE

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

	2009 **HK$'000**	2008 HK$'000
Profit/(loss) for the year		
Profit/(loss) for calculating basic and diluted earnings per share	**187,098**	(351,768)
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings/(loss) per share	**9,611,073,000**	9,611,073,000

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2009 and 2008.

13. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

14. 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 2008	218,072	12,036	333,790	94,493	62,670	721,061
Additions	23	5,584	28,430	7,498	2,751	44,286
Acquired on acquisition of a subsidiary	148	–	16,691	2,448	–	19,287
Disposals	–	–	(5,185)	(1,598)	–	(6,783)
Deficit on revaluation	(25,044)	–	–	–	–	(25,044)
Exchange difference	(24,486)	(2,341)	(39,574)	(7,440)	(4,349)	(78,190)
At 1 January 2009	**168,713**	**15,279**	**334,152**	**95,401**	**61,072**	**674,617**
Additions	**14,500**	**8,281**	**18,215**	**9,728**	**8,137**	**58,861**
Acquired on acquisition of a subsidiary	**–**	**–**	**37**	**350**	**1**	**388**
Reclassification	**–**	**(5,941)**	**879**	**5,062**	**–**	**–**
Disposals/write-off	**–**	**(9,385)**	**(32,034)**	**(6,706)**	**(7,962)**	**(56,087)**
Exchange difference	**26,876**	**1,337**	**62,695**	**6,927**	**3,154**	**100,989**
At 31 December 2009	**210,089**	**9,571**	**383,944**	**110,762**	**64,402**	**778,768**
Comprising:						
Cost	**–**	**9,571**	**383,944**	**110,762**	**64,402**	**568,679**
Valuation	**210,089**	**–**	**–**	**–**	**–**	**210,089**
	210,089	**9,571**	**383,944**	**110,762**	**64,402**	**778,768**

14. 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 2008	12,787	–	128,631	62,254	12,922	216,594
Provided for the year	4,211	–	37,923	12,423	7,368	61,925
Eliminated upon disposals	–	–	(4,921)	(1,170)	–	(6,091)
Eliminated on revaluation	(13,624)	–	–	–	–	(13,624)
Exchange difference	(1,425)	–	(10,438)	(4,976)	(151)	(16,990)
At 1 January 2009	**1,949**	**–**	**151,195**	**68,531**	**20,139**	**241,814**
Provided for the year	**3,559**	**–**	**32,773**	**16,637**	**6,799**	**59,768**
Eliminated upon disposals	**–**	**–**	**(13,183)**	**(2,479)**	**(1,764)**	**(17,426)**
Exchange difference	**277**	**–**	**30,130**	**4,651**	**631**	**35,689**
At 31 December 2009	**5,785**	**–**	**200,915**	**87,340**	**25,805**	**319,845**
Carrying Values						
At 31 December 2009	**204,304**	**9,571**	**183,029**	**23,422**	**38,597**	**458,923**
At 31 December 2008	166,764	15,279	182,957	26,870	40,933	432,803

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

The carrying value of freehold land and building shown above situated on:

	2009	2008
	HK$'000	HK$'000
Land in Hong Kong under medium term lease	**73,971**	76,000
Overseas freehold land	**130,333**	90,764
	204,304	166,764

The building in Hong Kong and freehold land and building in overseas were revalued by the Directors of the Group by reference to recent market prices for similar properties. Had the freehold land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$215,392,000 (2008: HK$178,092,000).

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$1,294,000 (2008: HK$1,520,000).

During the year ended 31 December 2008, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,521,000.

15. 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.

16. INTANGIBLE ASSETS

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000	Trademark HK$'000	Customer relationship HK$'000	Distribution network HK$'000	Concession assets HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost									
At 1 January 2008	423,878	16,604	2,924,610	125,457	337,010	37,463	106,664	9,551	3,981,237
Additions	32,768	1,442	–	–	–	–	–	–	34,210
Arising on acquisition of a subsidiary	–	–	112,122	–	29,397	–	–	–	141,519
Exchange difference	(122)	55	(219,255)	(19,751)	(38,050)	–	(23,134)	(1,924)	(302,181)
At 1 January 2009	456,524	18,101	2,817,477	105,706	328,357	37,463	83,530	7,627	3,854,785
Additions	32,602	114	–	–	–	–	–	–	32,716
Arising on acquisition of a subsidiary	198,866	–	–	–	–	–	–	–	198,866
Disposals/write-off	(152,126)	(3,421)	–	(26,481)	–	(37,463)	–	–	(219,491)
Exchange difference	4,916	40	200,904	13,787	38,171	–	24,531	1,143	283,492
At 31 December 2009	540,782	14,834	3,018,381	93,012	366,528	–	108,061	8,770	4,150,368
Amortisation									
At 1 January 2008	15,100	2,168	–	–	41,284	6,087	29,278	2,772	96,689
Provided for the year	3,807	490	–	–	36,713	3,882	4,010	1,510	50,412
Exchange difference	39	62	–	–	(4,396)	–	(9,394)	(1,624)	(15,313)
At 1 January 2009	18,946	2,720	–	–	73,601	9,969	23,894	2,658	131,788
Provided for the year	4,028	490	–	–	34,928	1,617	3,760	2,985	47,808
Eliminated upon disposals/write-off	(4,780)	(665)	–	–	–	(11,586)	–	–	(17,031)
Exchange difference	–	32	–	–	6,454	–	7,579	1,555	15,620
At 31 December 2009	18,194	2,577	–	–	114,983	–	35,233	7,198	178,185
Carrying values									
At 31 December 2009	522,588	12,257	3,018,381	93,012	251,545	–	72,828	1,572	3,972,183
At 31 December 2008	437,578	15,381	2,817,477	105,706	254,756	27,494	59,636	4,969	3,722,997

16. INTANGIBLE ASSETS (CONT'D)

As detailed in note 40(b), in January 2008, the Group acquired the entire issued share capital of Accensi Pty Ltd ("Accensi") for a total consideration of HK$209,288,000. Goodwill arising from the acquisition amounted to HK$112,122,000.

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 eight individual cash generating units (CGUs), including three subsidiaries in the health segment and five subsidiaries in the environment segment. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) as at 31 December 2009 allocated to these segments are as follows:

	Goodwill		Trademark	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Health	**2,734,246**	2,602,681	**75,876**	92,460
Environment	**284,135**	214,796	**17,136**	13,246
	3,018,381	2,817,477	**93,012**	105,706

During the year ended 31 December 2009, 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 10%. 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 capitalised development costs by assessing, where appropriate, the cash flow and profit projections, and the progress of the development activities of the relevant products groups.

In the current year, the management decided to discontinue certain development projects. Accordingly, related development and patents costs previously capitalised with carrying values totaling HK$150,102,000 were written off.

Other intangible assets include non-competition agreement.

17. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of investments in associates		
Unlisted	**23,668**	23,668
Listed overseas	**–**	37,824
Share of post-acquisition results	**(8,703)**	(13,452)
Exchange reserve	**2,877**	(3,568)
	17,842	44,472
Fair value of listed investments	**–**	37,094

The Group's interests in an overseas listed associate as at 31 December 2008 represented the Group's interests in Wex Pharmaceuticals Inc. ("Wex"), which was incorporated in Canada and is listed on the Toronto Stock Exchange ("TSX"). As detailed in note 18, in October 2009, the Group exercised its conversion rights to convert its entire convertible debentures issued by Wex into restricted voting shares of Wex (the "Conversion"). Upon the completion of the Conversion, Wex changed from an associate to a subsidiary of the Group.

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

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

	2009 HK$'000	2008 HK$'000
Total assets	**258,581**	466,330
Total liabilities	**(187,213)**	(291,689)
Net assets	**71,368**	174,641
Group's share of net assets of associates	**17,842**	44,472
Revenue	**75,931**	122,796
Loss for the year	**(43,147)**	(37,226)
Group's share of results of associates for the year	**(11,272)**	(9,878)

18. CONVERTIBLE DEBENTURES ISSUED BY AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Convertible debentures issued by an associate	**–**	73,862
Embedded derivative portion, at fair value (note 23)	**–**	(14,977)
Debt portion	**–**	58,885

As part of the acquisition of Wex in 2007, Wex issued to the Group convertible debentures (the "Debentures") in the principal sum of CAD15,600,000 by phase. The final phase was completed in March 2009.

The Debentures matured in October 2009 (the "Maturity Date") and were convertible into the restricted voting shares of Wex (the "Restricted Shares") at the Group's option on and after the Maturity Date (the "Conversion Rights").

The Debentures bore interest at the rate of London Interbank Offered Rates ("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 issued in payment of the interest were to 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 was due, less a discount of 30% (the "Discounted Market Price").

The Restricted Shares issued upon conversion on or after the Maturity Date were 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.

On 18 October, 2009, the Group exercised the Conversion Rights to convert the entire Debentures into 110,696,865 Restricted Shares of Wex at a price of CAD0.1409 per share. Another 6,155,197 shares at an average price of CAD0.2083 per share were received in lieu of unpaid interest up to the conversion date. The 116,852,062 additional Restricted Shares being acquired by the Group represent 66.02% of the Restricted Shares outstanding after the conversion. Upon the completion of the Conversion, the Group's interests in Wex have increased from 27.15% to 75.25% and Wex changed from an associate to a subsidiary of the Group (note 40(a)).

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Equity security – listed overseas at quoted price	**–**	59,242
Equity security – unlisted, at cost	**150,101**	150,101
	150,101	209,343

The unlisted 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 in nutraceutical-related technical research and development activities through its subsidiaries in the PRC. It is measured at cost less impairment at end of each reporting period because the range of reasonable fair value estimates is so wide that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The unlisted equity security was listed in the Stock Exchange subsequent to 31 December 2009. The equity security will be measured at fair value.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
Equity securities held for trading – listed in Hong Kong at quoted price	**65,706**	4,645
Equity securities held for trading – listed overseas at quoted price	**19,698**	11,726
Debt security held for trading – listed in Hong Kong at quoted price	**77,767**	122,980
Debt securities – unlisted	**192,839**	58,430
	356,010	197,781
Carrying amount analysed for reporting purpose as:		
Non-current	**192,839**	58,430
Current	**163,171**	139,351

The fair value of the unlisted debt securities is determined based on the market price provided by the relevant financial institutions. The interest income from unlisted debt securities is linked to certain market indices.

21. LONG-TERM RECEIVABLES

Vitaquest International LLC ("Vitaquest LLC"), an indirect non-wholly owned subsidiary of the Company, entered into an asset purchase agreement with Windmill Health Products, LLC (the "Purchaser"), an independent third party, on 29 May 2009 under which Vitaquest LLC agreed to sell and the Purchaser agreed to purchase all of the operating assets (the "Transferred Assets") of a distribution division of Vitaquest LLC (the "Disposal"). The principal activity of Vitaquest LLC is the supplying and manufacturing of nutritional supplements. There is no change in the principal activity of Vitaquest LLC upon the completion of the Disposal.

The total consideration of the Disposal was US$20,195,000 (approximately HK$157,521,000), which was satisfied by cash of US$600,000 (approximately HK$4,680,000) and a promissory note issued by the Purchaser with principal amount of US$19,595,000 (approximately HK$152,841,000) (the "Promissory Note"). The aggregate carrying value of the Transferred Assets was approximately HK$136,490,000, including account receivables, inventories, fixed assets, trademark and distribution network. The gain of the Disposal, net of expenses, was HK$20,863,000.

The Promissory Note carries a fixed interest of 5% per annum and is secured by a first position lien and security interest in all assets owned by the Purchaser. The payment of the principal and interest under the Promissory Note shall be made in thirty-six monthly installments on the first day of each calendar month commencing on 1 July 2009. The Directors consider that the carrying amount of long-term receivables approximate to its fair value. As at 31 December 2009, the outstanding principal of the Promissory Note was US$11,028,000 (approximately HK$86,020,000), which was analysed as below:

	2009 **HK$'000**
Promissory Note	**86,020**
Less: Current portion included in receivables and prepayments (note 25)	**(47,440)**
Non-current portion included in long-term receivables	**38,580**

22. DEBT INVESTMENT

The prior year balance represented the Group's sub-participation right in certain financial instrument issued by a financial institution with principal of approximately HK$61,152,000. The amount carried interest at prevailing market rate and matured in September 2009.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Assets		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	**2,633**	803
Convertible debentures issued by an associate		
– embedded derivative portion (note 18)	**–**	14,977
	2,633	15,780

	2009 HK$'000	2008 HK$'000
Liabilities		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	**(23,087)**	(99,398)
	(23,087)	(99,398)

The above financial instruments are measured at fair value at the end of each reporting period.

The Group entered into the above swap contracts with the financial institutions, under which the Group is required to pay or receive interest at each specified date calculated according to the terms of contracts. The variable interest to be paid or received by the Group will depend on a formula for each contract, of which parameters will involve various rates and certain fund index. The fair values of the derivatives are determined based on the market prices provided by the relevant financial institutions at the end of the reporting period.

The fair value of the embedded derivative portion of the convertible debentures as at 31 December 2008 was valued by an independent professional valuer.

24. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**228,023**	201,814
Work in progress	**79,173**	94,257
Finished goods	**118,725**	167,640
	425,921	463,711

The cost of inventories recognised as an expense during the year was HK$1,839,133,000 (2008: HK$2,084,217,000).

25. RECEIVABLES AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade receivables	**621,509**	510,547
Less: provision for impairment	**(56,774)**	(34,655)
	564,735	475,892
Other receivables	**192,599**	92,744
Loans and receivables	**757,334**	568,636
Deposit and prepayments	**48,572**	46,559
	805,906	615,195

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

The following is an analysis of trade receivables by age, presented based on invoice date.

	2009 HK$'000	2008 HK$'000
0 – 90 days	**527,669**	423,584
Over 90 days	**37,066**	52,308
	564,735	475,892

25. RECEIVABLES AND PREPAYMENTS (CONT'D)

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

	2009 **HK$'000**	2008 HK$'000
Current	**249,826**	221,332
Less than 90 days past due	**313,884**	227,203
Over 90 days past due	**1,025**	27,357
	314,909	254,560
	564,735	475,892

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.

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

	2009 **HK$'000**	2008 HK$'000
At 1 January	**34,655**	24,709
Impairment loss recognised	**30,555**	27,436
Amounts recovered during the year	**(4,887)**	–
Uncollectible amounts written off	**(6,578)**	(15,704)
Exchange difference	**3,029**	(1,786)
At 31 December	**56,774**	34,655

Included in the other receivables is an amount of HK$27,222,000 (2008: 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 to their fair value.

26. DEPOSITS WITH FINANCIAL INSTITUTIONS

As at 31 December 2008, the deposits with financial institutions carried an average interest rate of 2.65% per annum.

27. CASH AND CASH EQUIVALENTS

	2009 HK$'000	2008 HK$'000
Bank balances and deposits (note (a))	**636,895**	303,554
Bank overdrafts (note (b))	**(385)**	(7,445)
	636,510	296,109

Notes:

(a) Bank balances and deposits carry an average interest rate of 1.27% (2008: 2.82%) per annum.

(b) Bank overdrafts are secured by a charge over the assets of a subsidiary and carry interest with reference to the Canadian Dollar Prime Rate plus 0.50% (2008: Banker's Acceptance Rate plus a stamping fee of 0.75%) per annum.

28. PAYABLES AND ACCRUALS

	2009 HK$'000	2008 HK$'000
Trade payables	**242,108**	259,290
Other payables and accrued charges	**379,437**	329,705
Financial liabilities measured at amortised cost	**621,545**	588,995

The ageing analysis of trade payables is as follows:

	2009 HK$'000	2008 HK$'000
Current to 90 days	**237,455**	239,658
Over 90 days	**4,653**	19,632
	242,108	259,290

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

29. BANK LOANS

	2009 HK$'000	2008 HK$'000
Bank loans repayable		
2 to 5 years	**1,061,300**	1,045,675
Analysed as:		
Secured	**117,500**	101,875
Unsecured	**943,800**	943,800
	1,061,300	1,045,675
Carrying amount analysed for reporting purpose as:		
Non-current	**1,061,300**	1,045,675

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

	2009 HK$'000	2008 HK$'000
Canadian dollars (note (a))	**117,500**	101,875
United state dollars (note(b))	**943,800**	943,800
	1,061,300	1,045,675

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 0.75% per annum. The loan is for a period of three years from May 2008 to May 2011.

(b) The bank loan is unsecured and bears a floating interest with reference to the LIBOR plus a margin of 0.75% per annum. The loan is for a period of three years from July 2008 to July 2011.

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

30. FINANCE LEASE OBLIGATIONS

	Minimum leases		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Finance leases obligations payable				
within 1 year	**682**	623	**580**	494
2 to 5 year	**839**	1,214	**807**	1,108
	1,521	1,837	**1,387**	1,602
Less: Future finance charges	**(134)**	(235)	**–**	–
Present value of finance leases obligations	**1,387**	1,602	**1,387**	1,602
Carrying amount analysed for reporting purpose as:				
Current			**580**	494
Non-current			**807**	1,108

The finance leases are secured on certain property, plant and equipment with average lease term of 2-4 years.

31. 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% per annum effective from April 2005 except for an amount of HK$3,314,000 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 to its fair value.

32. DEFERRED TAXATION

The major deferred tax (assets)/liabilities recognised by the Group and movements during the year 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 2008	14,116	251,645	4,599	(159,410)	(111,170)	(220)
Acquisition of a subsidiary	–	8,819	–	–	(630)	8,189
Charge/(credit) to profit or loss	9,396	20,834	(85)	20,406	(37,866)	12,685
Reduction in tax rate on deferred tax opening balance	(684)	(2,626)	–	3,310	–	–
Exchange difference	(1,338)	(9,995)	(1,213)	6,314	(3,611)	(9,843)
As at 1 January 2009	**21,490**	**268,677**	**3,301**	**(129,380)**	**(153,277)**	**10,811**
Charge/(credit) to profit or loss	**8,300**	**(12,152)**	**3,694**	**(18,891)**	**14,416**	**(4,633)**
Exchange difference	**(100)**	**9,085**	**1,521**	**(5,508)**	**(959)**	**4,039**
As at 31 December 2009	**29,690**	**265,610**	**8,516**	**(153,779)**	**(139,820)**	**10,217**

Other deferred taxation mainly comprises deductible temporary differences arising from certain intercompany interest charges.

The following is the analysis of the deferred tax balances included in the consolidated statement of financial position:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	**31,273**	29,887
Deferred tax assets	**(21,056)**	(19,076)
	10,217	10,811

At the end of the reporting period, the total un-utilised tax losses amounted to approximately HK$2,289,176,000 (2008: HK$1,799,580,000). A deferred tax asset has been recognised in respect of HK$499,785,000 (2008: HK$511,029,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,789,391,000 (2008: HK$1,288,551,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilised. Tax losses of approximately HK$52,509,000 (2008: HK$42,973,000) arising in Mainland China can only be carried forward within five years subsequent to the year of tax losses incurred.

33. SHARE CAPITAL

	Number of shares of HK$0.1 each '000	Nominal value HK$'000
Authorised	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	9,611,073	961,107

34. SHARE OPTION SCHEME

(a) The Company

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 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,370,113 (2008: 12,285,769) shares, representing 0.10% (2008: 0.13%) 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:

34. SHARE OPTION SCHEME (CONT'D)

(a) The Company (cont'd)

Year 2009

	Number of share options							
Date of Grant	Outstanding as at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009	No. of exercisable options as at 31 December 2009	Option period	Adjusted subscription price per share HK$
30/9/2002	2,167,634	–	–	(564,248)	1,603,386	1,603,386	30/9/2003 to 29/9/2012	1.422
27/1/2003	4,848,823	–	–	(1,108,264)	3,740,559	3,740,559	27/1/2004 to 26/1/2013	1.286
19/1/2004	5,269,312	–	–	(1,243,144)	4,026,168	4,026,168	19/1/2005 to 18/1/2014	1.568

Year 2008

	Number of share options							
Date of Grant	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2008	No. of exercisable options as at 31 December 2008	Option period	Adjusted subscription price per share HK$
30/9/2002	2,556,538	–	–	(388,904)	2,167,634	2,167,634	30/9/2003 to 29/9/2012	1.422
27/1/2003	5,603,251	–	–	(754,428)	4,848,823	4,848,823	27/1/2004 to 26/1/2013	1.286
19/1/2004	6,384,320	–	–	(1,115,008)	5,269,312	5,269,312	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.

34. SHARE OPTION SCHEME (CONT'D)

(b) Wex

Wex has a share option plan which provides for the granting of up to 9,300,000 share options to acquire common shares to executive officers, directors, employees, consultants and clinical advisory board members. Up to the year ended 31 December 2009, a total of 2,786,566 share option have been exercised. As at 31 December 2009, Wex has 3,926,434 share options available for future issuance under the plan. The share options available for issuance under the plan vest over various periods and have maximum exercise terms of five years.

Details of the share options granted and the adjusted share option prices are as follows:

	Number of share options							
Date of Grant	Outstanding as at 18 October 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009	No. of exercisable options as at 31 December 2009	Option period	Adjusted subscription price per share CAD
28/12/2005	100,000	–	–	–	100,000	100,000	28/12/2005 to 27/12/2010	1.50
26/1/2006	233,000	–	–	–	233,000	233,000	26/1/2006 to 26/1/2011	1.55
29/9/2006	544,000	–	–	–	544,000	544,000	29/9/2006 to 29/9/2011	0.38
20/11/2007	150,000	–	–	–	150,000	150,000	20/11/2007 to 19/11/2012	0.51
16/6/2008	150,000	–	–	–	150,000	150,000	16/6/2008 to 16/6/2013	0.86
24/9/2008	1,015,000	–	–	–	1,015,000	798,333	24/9/2008 to 24/9/2013	0.46
11/12/2008	200,000	–	–	–	200,000	125,000	11/12/2008 to 11/12/2013	0.25
1/1/2009	60,000	–	–	–	60,000	20,000	1/1/2009 to 1/1/2014	0.36
17/3/2009	60,000	–	–	–	60,000	15,000	17/3/2009 to 17/3/2014	0.19
25/3/2009	75,000	–	–	–	75,000	–	25/3/2009 to 25/3/2014	0.20

35. PLEDGE OF ASSETS

Bank loan of HK$117,500,000 (2008: HK$101,875,000) and overdraft of HK$385,000 (2008: HK$7,445,000) are secured by a mortgage over the cash, accounts receivable, inventories, property, plant and equipment and other intangibles assets of subsidiaries with a carrying value of HK$184,989,000 (2008: HK$160,116,000) as at 31 December 2009.

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

36. OPERATING LEASE COMMITMENT

The leases of the Group are negotiated for a term ranging from one to fifteen years. The minimum lease charges payable by the Group under non-cancellable operating leases in respect of rented premises were as follow:

	2009 **HK$'000**	2008 HK$'000
within 1 year	**42,791**	38,136
2 to 5 years	**129,950**	109,827
over 5 year	**124,256**	112,656

37. CAPITAL COMMITMENT

	2009 **HK$'000**	2008 HK$'000
Capital commitment in respect of the acquisition of laboratory instruments, plant and equipment		
– contracted but not provided for	**5,569**	4,878

38. 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 9% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$26,155,000 (2008: HK$22,719,000) and forfeited contribution during the year of HK$1,616,000 (2008: HK$2,966,000) was used to reduce the Group's contribution in the year.

39. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2009 were as follows:

Name of Director	Fees	Basic salaries and allowances	Bonuses	Retirement benefits scheme contributions	**Total emoluments 2009**	Total emoluments 2008
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Li Tzar Kuoi, Victor	75	–	–	–	**75**	75
Kam Hing Lam	75	–	1,500	–	**1,575**	1,425
Ip Tak Chuen, Edmond	75	–	–	–	**75**	75
Yu Ying Choi, Alan Abel	75	5,847	1,440	576	**7,938**	7,783
Chu Kee Hung	75	4,313	1,059	424	**5,871**	5,807
Peter Peace Tulloch	75	–	–	–	**75**	75
Wong Yue-chim, Richard	155	–	–	–	**155**	155
Kwok Eva Lee	180	–	–	–	**180**	180
Colin Stevens Russel	180	–	–	–	**180**	180
	965	10,160	3,999	1,000	**16,124**	15,755

The directors' fees included an amount of HK$75,000 (2008: HK$75,000) for each director and an additional amount of HK$80,000 (2008: HK$80,000) and HK$25,000 (2008:HK$25,000) 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 2009. 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.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2008: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2008: three) are as follows:

	2009 HK$'000	2008 HK$'000
Salary and other benefits	10,292	10,664
Bonus	4,542	7,760
Retirement benefits scheme contributions	400	542
	15,234	18,966

Their emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	–
HK$4,500,001 to HK$5,000,000	–	1
HK$5,500,001 to HK$6,000,000	–	1
HK$8,000,001 to HK$8,500,000	–	1
HK$9,000,001 to HK$9,500,000	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.

40. PURCHASE OF SUBSIDIARIES

(a) Acquisition of Wex

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

	Wex's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	388	–	388
Intangible assets – development costs	–	198,866	198,866
Receivables and prepayments	3,666	–	3,666
Bank balances and cash	46,458	–	46,458
Payables and accruals	(14,747)	–	(14,747)
	35,765	198,866	234,631
Minority interest			(58,071)
Total consideration			176,560
Satisfied by the carrying amount of:			
Investment in an associate (note 17)			43,071
Convertible debentures issued by an associate			
– Debt portion (note 18)			92,977
– Embedded derivative portion (note 23)			31,295
– Interest receivable			9,217
			176,560
Net cash inflow arising from acquisition:			
Bank balances and cash acquired			46,458

As detailed in note 18, in October 2009, the Group acquired further 66.02% of the total outstanding Restricted Shares of Wex through conversion of the convertible debentures of Wex. Upon the completion of the Conversion, the Group's interests in Wex have increased from 27.15% to 75.25% and Wex changed from an associate to a subsidiary of the Group.

The fair value estimation of the intangible assets was determined using the excess earnings method with reference to the discounted future cash flows projection of the intangible asset based on management's best estimated.

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

40. PURCHASE OF SUBSIDIARIES (CONT'D)

(b) Acquisition of Accensi

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

	Accensi's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	19,287	–	19,287
Intangible assets – customer relationship	–	29,397	29,397
Deferred taxation	630	(8,819)	(8,189)
Inventories	47,072	–	47,072
Receivables and prepayments	45,378	–	45,378
Bank balances and cash	3,262	–	3,262
Taxation	(670)	–	(670)
Payables and accruals	(38,371)	–	(38,371)
	76,588	20,578	97,166
Goodwill on acquisition			112,122
Total consideration			209,288
Net cash outflow arising from acquisition:			
Cash payment (including acquisition cost)			209,288
Bank balances and cash acquired			(3,262)
			206,026

40. PURCHASE OF SUBSIDIARIES (CONT'D)

(b) Acquisition of Accensi (cont'd)

In January 2008, the Group acquired the entire issued share capital of Accensi for a total consideration of HK$209,288,000 which comprises direct attributable acquisition cost of HK$3,188,000 and purchase consideration of HK$206,100,000. Goodwill arising from the acquisition amounted to HK$112,122,000 which is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

The subsidiary acquired during 2008 contributed HK$432,378,000 to the Group's turnover and HK$49,359,000 to the profit attributable to equity holders of the Company in that year.

41. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segment to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risk and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. For the purposes of assessing performance and allocating resources, CODM reviews revenue and operating results of businesses of environment, health and investments. The application of HKFRS 8 has not resulted in a redesignation of the Group reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measure of segment profit or loss.

The Group's reportable segments and other information required under HKFRS 8 are summarised as follows:

41. SEGMENT INFORMATION (CONT'D)

(a) Reportable segment information

	Environment		Health		Investment		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**732,586**	1,016,872	**1,928,237**	1,961,166	**18,066**	13,759	**–**	–	**2,678,889**	2,991,797
Segment results	**51,142**	99,925	**208,950**	90,658	**267,203**	(315,700)	**–**	–	**527,295**	(125,117)
Business development expenditure									**(18,233)**	(22,328)
Research and development expenditure									**(189,295)**	(32,191)
Corporate expenses									**(75,054)**	(57,627)
Revaluation deficit on building									**–**	(11,420)
Finance costs									**(18,110)**	(66,982)
Share of results of associates									**(11,272)**	(9,878)
Profit/(loss) before taxation									**215,331**	(325,543)
Taxation									**(29,271)**	(27,540)
Profit/(loss) for the year									**186,060**	(353,083)
Other information										
Amortisation of intangible assets	**(6,351)**	(6,927)	**(36,940)**	(39,188)	**–**	–	**(4,517)**	(4,297)	**(47,808)**	(50,412)
Depreciation	**(8,963)**	(11,272)	**(37,977)**	(34,309)	**–**	–	**(12,828)**	(14,549)	**(59,768)**	(60,130)
Impairment on available-for-sale investments	**–**	–	**–**	–	**–**	(27,104)	**–**	–	**–**	(27,104)
Net impairment of trade receivables	**(285)**	(1,201)	**(25,383)**	(26,235)	**–**	–	**–**	–	**(25,668)**	(27,436)
Intangible assets written off	**–**	–	**–**	–	**–**	–	**(150,102)**	–	**(150,102)**	–

41. SEGMENT INFORMATION (CONT'D)

(b) Geographical information

Turnover is analysed by the Group's sales by geographical market while the carrying amount of non-current assets is analysed by the geographical area in which the assets are located.

	Turnover (note i)		Non-current assets (note ii)	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Asia	**64,077**	103,205	**248,374**	420,359
Australia	**1,206,602**	1,529,104	**1,180,361**	926,367
North America	**1,390,144**	1,345,729	**3,031,974**	2,865,620
	2,660,823	2,978,038	**4,460,709**	4,212,346

Notes:

i. Turnover excluding investment income generated from financial instruments.

ii. Non-current assets excluding financial instruments and deferred tax assets.

The countries where the Group companies domiciled include China (including Hong Kong), Australia, USA and Canada.

There are no material sales of the Group (excluding investment income generated from financial instruments) which attribute to the countries other than those the Group companies domiciled. There are no material non-current assets (excluding financial instruments and deferred tax assets) which are located in the countries other than those the Group companies domiciled.

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

(i) The Group made sales of HK$16,991,000 (2008: HK$20,479,000) 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.

(ii) 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 International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK$18,906,000 (2008: HK$15,395,000).

43. EVENTS AFTER THE REPORTING PERIOD

In December 2009, Wex distributed to its shareholders rights ("Rights") exercisable to acquire Restricted Shares of Wex (the "Right Offering"). Each of this Right gave the holder the right purchase 1.5 Restricted Shares of Wex (the "Basic Subscription Right") at CAD0.13 per share. Holders of the Rights who fully subscribed under the Basic Subscription Right were entitled to subscribe, on a pro rata basis, for additional Restricted Shares (the "Additional Subscription Privilege").

Subsequent to the reporting period, the Right Offering was completed in January 2010, under which a total of 265,483,177 Restricted Shares were issued by Wex for a gross proceeds of approximately CAD34.5 million. Upon the completion of the Right Offering, the Group's interests in Wex increased from 75.25% to 88.7% through the exercise of both its Basic Subscription Right and Additional Subscription Privilege.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 43 to 106 were approved and authorised for issue by the Board of Directors on 1 March 2010.

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		Principal activities
				2009	2008	
	Accensi Pty Ltd	Australia	AU$100	**100**	100	Manufacturing and marketing of plant protection products and soluble fertilisers
	Amgrow Pty Limited	Australia	AUD$2	**100**	100	Manufacturing and distribution of horticultural products for the home gardening market
	Ample Castle Limited	British Virgin Islands	US$1	**100**	100	Financing
	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
	Bofanti Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	CK Biotech Laboratory Limited	Hong Kong	HK$2	**100**	100	Research and development
	CK Life Sciences Int'l., Inc.	British Virgin Islands	US$1	**100**	100	Commercialisation of biotechnology products
	CK Life Sciences Limited	Hong Kong	HK$10,000,000	**100**	100	Applied research, production, product development and commercialisation
	Dimac Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Fertico Pty Ltd	Australia	AU$4,000,100	**100**	100	Blending and distribution of fertiliser

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 2009	2008	Principal activities
	Great Ample Group Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Lincore Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Lipa Pharmaceuticals Limited	Australia	AU$17,943,472.62	**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 fertiliser
	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 fertiliser
Δ	Polynoma LLC	USA	N/A	**66.67**	66.67	Research and development
	Proven Leader Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Rank High Limited	British Virgin Islands	US$1	**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**	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 2009	2008	Principal activities
	Triwindi Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Turrence Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Vital Care Hong Kong Limited	Hong Kong	HK$2	**100**	100	Trading of biotechnology products
∆	Vitaquest International Holdings LLC	USA	N/A	**80**	80	Supplying and manufacturing of nutritional supplements
☆	Wex Pharmaceuticals Inc.	Canada	CAD85,193,930	**75.25**	27.15	Discovery, development, manufacturing and commercialisation of innovative drug products to treat pain
	Wonder Earn Investments Limited	British Virgin Islands	US$1	**100**	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 areas of operations of the above companies were the same as the place of incorporation except the following:

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

Foreign investment enterprise registered in the Mainland China

Δ Vitaquest International Holdings LLC and Polynoma LLC did not have any issued or registered capital. However, the Company held 80% and 66.67% interest in their common voting rights respectively.

☆ As details in note 18, Wex Pharmaceuticals Inc. changed from an associate to a subsidiary of the Group during the year.

APPENDIX II

PRINCIPAL ASSOCIATE

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 the principal associate.

	Name	Effective percentage of capital held by the Company indirectly		Principal activities	Place of operation
		2009	2008		
#	Jiangsu Technology Union Eco-fertilizer Limited	**25.00**	25.00	Trading of biotechnology products	Mainland China

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

The Group's businesses, financial conditions, 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 conditions, 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.

GLOBAL FINANCIAL AND CREDIT CRISIS

The global markets were severely hit by the financial and credit crisis triggered in 2008 by the U.S. subprime mortgage predicament, and the magnitude and undiscriminating nature of the adverse fallout across various countries and economic sectors was unprecedented. The negative repercussions of a tight global credit market had resulted in increased stock market volatility, worsening unemployment, and a contraction of economic activities in emerging markets as well as major developed economies. Despite the recovery in the various global markets in the latter half of 2009, the economic fundamental data has yet to revive. The debt crisis in Dubai that occurred in late 2009 reflected the continuing market risks associated with the tight global credit market. The Group has investments in different countries and cities around the world. Any continuing adverse economic conditions in those countries and cities in which the Group operates may therefore impact on the Group's financial position or potential income, asset value and liabilities.

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 conditions, results of operations 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 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 specialised 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 commercialisation 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. The Group may involve in litigation in enforcing its intellectual property rights and/or be sued by third parties for alleged infringement and result of such litigation is difficult to predict and may adversely affect the Group's businesses and financial conditions.

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 conditions 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 conditions or results of operations. The volatilities in the financial markets 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 have 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 conditions 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 ventures, which may affect the Group's financial conditions 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 conditions, 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 revenue and profit.

IMPACT OF NEW ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"). 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 Stock Exchange of Hong Kong Limited (the "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 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.

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 used in the analyses 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.

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 materialise or turns out to be incorrect.

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 emphasise 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31 December 2009.

Key corporate governance principles and corporate governance practices of the Company are summarised 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 should be held 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 2009. • Details of Directors' attendance records in 2009: **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 • 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 the meetings. • 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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.
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 detail 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.
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	√	• 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.1 (cont'd)	- Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	√	• 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.
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 2009. Details of the attendance records of the meetings are as follows: **Attendance** **Chairman** LI Tzar Kuoi, Victor 2/2 **Non-executive Director** Peter Peace TULLOCH 2/2 **Independent Non-executive Directors** WONG Yue-chim, Richard 2/2 KWOK Eva Lee 2/2 Colin Stevens RUSSEL 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.
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 135. • The Directors' biographical information and the relationships among the Directors are set out on pages 21 to 24. • 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.

Code Ref.	Code Provisions	Compliance	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.4.1	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.
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 Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the 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 Listing Rules and are independent in accordance with the terms of the guidelines.
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.	√	• 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 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. "A Guide on Directors' Duties" (previously known as "Non-statutory Guidelines on Directors' Duties") issued by the Companies Registry of Hong Kong has been forwarded to each Director for his/her information and ready reference.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.1 (cont'd)	- 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 Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	√	• 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. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to directors' duties and corporate governance, etc.
A.5.2	The functions of non-executive directors include:		• The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. • The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • The Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
	- bring 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	√	
	- scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance	√	
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 above 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.
A.5.4	- Directors must comply with the Model Code.	√	• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008 for replacing the comparable model code adopted by the Company while it was listed on the Growth Enterprise Market of the Stock Exchange. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1 April 2009. • 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 2009. • 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.
	- Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	√	
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.*		

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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 Vice President, Finance 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.
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.6.1 and 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.*		
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 2008 annual report in April 2009, meetings of the Remuneration Committee were held in November 2009 and January 2010. 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 2009/2010; 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. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.
B.1.3	Terms of reference of the remuneration committee should include: - determine the 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 key 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. - 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	• 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 Company's Finance Department which is under the supervision of the Vice President, Finance who is a professional accountant, 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 auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 42.
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the 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 authorise 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 the 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 Board, through the audit committee of the Company ("Audit Committee"), has conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices. • 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 unauthorised 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. *Organisational Structure* An organisational 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. *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.
C.2.2	The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.	√	• The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2010 and noted that the Company has been in compliance with the Code Provision for the year 2009. Please also refer to C.3.3 of Part I.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td>C.3.1</td><td>- 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</td><td>√
√</td><td>• 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 and August 2009. Details of the attendance records of members of the Audit Committee are as follows:
<u>Members of the Audit Committee</u> — <u>Attendance</u>
WONG Yue-chim, Richard (Chairman of the Audit Committee) — 2/2
KWOK Eva Lee — 2/2
Colin Stevens RUSSEL — 2/2
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 2009:
1. Review of the financial reports for 2008 annual results and 2009 interim 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 auditor's audit findings;
5. Review of the auditor's 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.
• 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 1 March 2010 that the system of internal controls was adequate and effective.
• On 1 March 2010, the Audit Committee met to review the Group's 2009 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, 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 2009 Annual Report complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31 December 2009.
• The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2010 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2010 annual general meeting.
• The Group's Annual Report for the year ended 31 December 2009 has been reviewed by the Audit Committee.</td></tr>
<tr><td>C.3.2</td><td>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.</td><td>√</td><td>• 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.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.3	Terms of reference of the audit committee should include: - recommendation to the board on the appointment and removal of external auditor and approval of their terms of engagement - review and monitor external auditor's 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, including the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget	√	• The terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been modified from time to time and adopted by the Board, are posted on the Company's website.
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 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. • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the Code on CG Practices. The latest version of the terms of reference of the Audit Committee is 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 auditor 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 two meetings in 2009.
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 auditor for 2010. • For the year ended 31 December 2009, the external auditor of the Company received approximately HK$9,147,000 for audit services and approximately HK$3,353,000 for non-audit services, comprising tax compliance and advisory services of approximately HK$1,991,000 and consultancy services of approximately HK$1,362,000.
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 134. • 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 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	Formalise functions reserved to the board and those delegated to management and to 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.
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 the Board meetings.
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 meetings of the Company on each substantially separate issue, including the election of individual directors.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>E.1.2</td><td>- 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.</td><td>√
√</td><td>• In 2009, 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 corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the 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 on the Group is available on the website of the Company; (iv) the Company's website offers a 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.</td></tr>
<tr><td>E.1.3</td><td>The company should arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.</td><td>√</td><td>• The Company's notice to shareholders for the 2009 annual general meeting of the Company was sent at least 20 clear business days before the meeting.</td></tr>
<tr><td>E.2</td><td colspan="3">Voting by poll
Corporate Governance Principle
The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</td></tr>
<tr><td>E.2.1</td><td>The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.</td><td>√</td><td>• At the 2009 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, and answered questions from shareholders.
• At the 2009 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.
• 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.
• Since the Company's 2004 annual general meeting, all the resolutions put to vote at the Company's general meetings were taken by poll.
• Poll results were announced at the adjourned meeting and were posted on the websites of the Company and the Stock Exchange.</td></tr>
</table>

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 2009/2010.
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 should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	E	• The Company has an Audit Committee and a Remuneration Committee. • Based on available data and information, the Company is not satisfied that quarterly review by the Audit Committee would bring meaningful benefit to the shareholders. Meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors were held two times a year at which ample opportunity was provided for reflection of their views and comments to the Board. • 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 2009. The meeting held in November 2009 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 2010 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.
	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.
	A.1.3 - At least 14 days notice for regular board meetings	C	• 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 the meetings.
	- Reasonable notice for other board meetings	C	• At least 14 days formal notice would be given before each Board Committee 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.	C	• 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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.5 - Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.	C	• 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.
	- Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	C	• Board Committee minutes/written resolutions are available for inspection by Board Committee members.
	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.	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 the draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.
	- 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	
	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	C	• 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.
	- 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	
	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 will 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 - 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. - 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 C C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board. • 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 2009. • 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 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.
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 above 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 2009. Please refer to A.2.2 of Part I above for details of attendance records.
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 as set out in E.1.2 of Part I above.
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 above 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 E	• 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. • 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.
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 3.13 of the 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 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant 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.
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.	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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4– A.4.8 (cont'd)	- 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; (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.		• 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 adopts 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. • 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 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 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 above 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 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. "A Guide on Directors' Duties" (previously known as "Non-statutory Guidelines on Directors' Duties") issued by the Companies Registry of Hong Kong 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. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to directors' duties and corporate governance, etc.
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 organisations and other significant commitments, identifying the public companies or organisations 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 above 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 above for details of attendance records.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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.*		
There is no recommended best practice under Section A.6 in the Code on CG 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 2009. Please refer to note 39 in the Notes to the Consolidated 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 or results 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.
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.1.4– C.1.5	- The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the company. Any such quarterly financial reports should be prepared using the accounting policies applied to the company's half-year and annual accounts.	E	• The Company issued half-yearly financial results within 3 months after the end of the relevant period, and annual financial results within 4 months after the end of the relevant year. In addition, all significant and price-sensitive transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders.

<table>
<tr><th>Recommended Best Practice Ref.</th><th>Recommended Best Practices</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>C.1.4– C.1.5 (cont'd)</td><td>- Once the company decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the company decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reason(s) for such decision.</td><td></td><td></td></tr>
<tr><td>C.2</td><td colspan="3">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.</td></tr>
<tr><td>C.2.3</td><td>The board's annual review should, in particular, consider:

- 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;

- 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;

- 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;

- 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

- the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.</td><td>C

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C</td><td>• The Board, through the Audit Committee, reviews annually the effectiveness of system of internal control of the Company and its subsidiaries, such review considers:

- the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment;

- the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function;

- the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management;

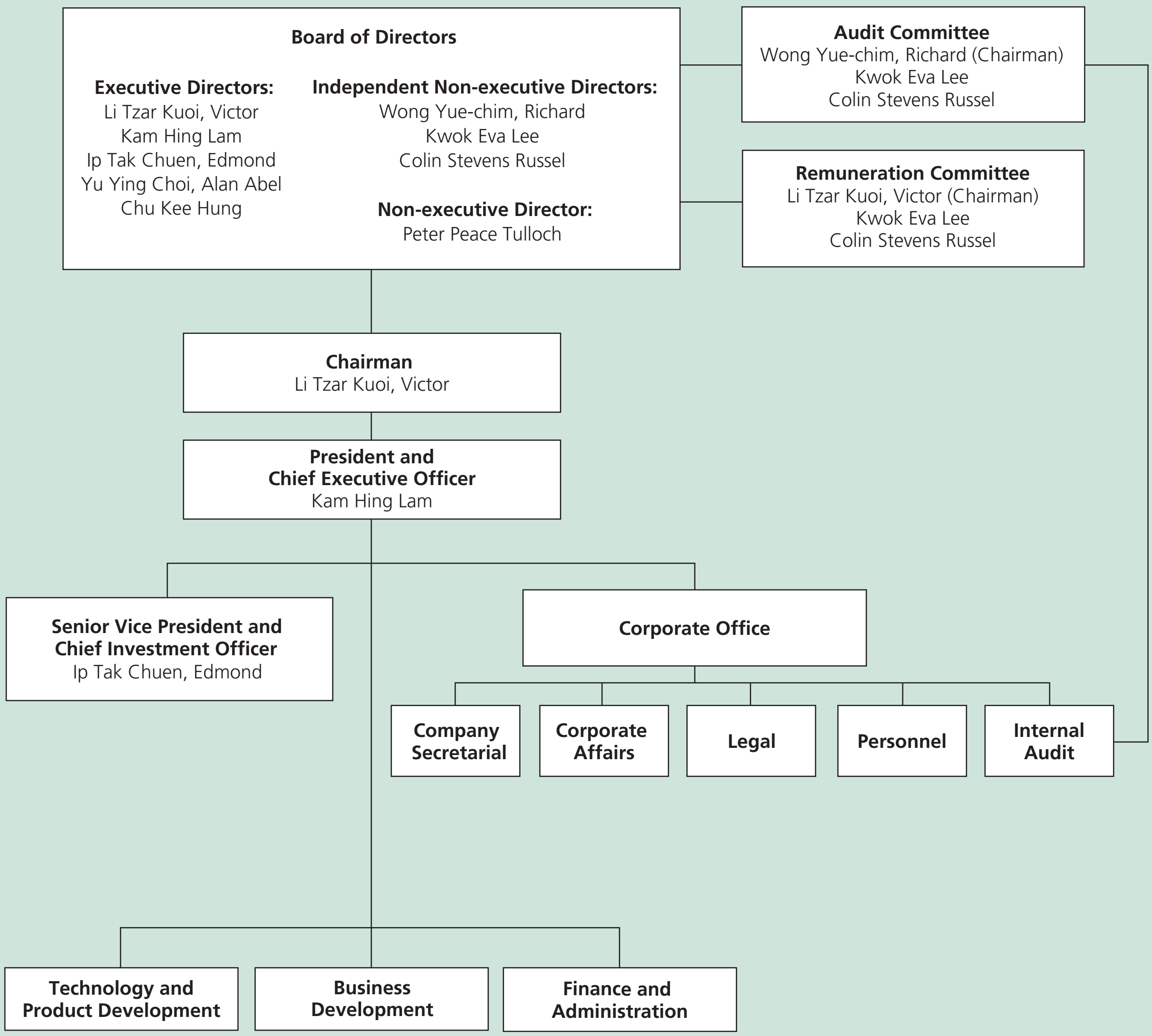
- any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and

- the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.</td></tr>
</table>

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4	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 the Corporate Governance Report, the Company, in particular item C.2.1 of Part I, discloses: - the process of identifying, evaluating and managing the significant risks; - any additional information to assist understanding of the risk management processes and internal control system; - an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness; - the process applied in reviewing the effectiveness of internal control system; and - the process applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and Financial Statements.
	- the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;	C	
	- 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 process that the company has applied in reviewing the effectiveness of the system of internal control; and	C	
	- 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.2.5	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.2.6	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 above for the details.
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:		• 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. 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 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	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.7 (cont'd)	- to act as the key representative body for overseeing the company's relation with the external auditor.	C	
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 134.
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 may be inferred by the fact that, currently, directors' duties are set out in non-statutory guidelines issued by the Companies Registry instead of being provided for in the Companies Ordinance. To have a formal letter of appointment may also lead to inflexibility.
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.*		
There is no recommended best practice under Section D.2 in the Code on CG 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.*		
There is no recommended best practice under Section E.1 in the Code on CG Practices.			
E.2	**Voting by poll** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
There is no recommended best practice under Section E.2 in the Code on CG Practices.			

MANAGEMENT STRUCTURE CHART



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

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

VICE PRESIDENT, FINANCE

MO Yiu Leung, Jerry

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Woo, Kwan, Lee & Lo
Baker & McKenzie

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

HEAD OFFICE

2 Dai Fu Street
Tai Po Industrial Estate
Tai Po
Hong Kong

PRINCIPAL PLACE OF BUSINESS

7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
Grand Cayman
KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712 – 1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODES

The Stock Exchange of Hong Kong Limited: 0775
Bloomberg: 775 HK
Reuters: 0775.HK

WEBSITE

http://www.ck-lifesciences.com

KEY DATES

Annual Results Announcement	1 March 2010
Closure of Register of Members	30 April to 7 May 2010 *(both days inclusive)*
Annual General Meeting	7 May 2010

This annual report 2009 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to cklife.ecom@computershare.com.hk.

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 (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Annual Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company's Branch Share Registrar or by email to cklife.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications 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 upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to cklife.ecom@computershare.com.hk promptly 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 communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to cklife.ecom@computershare.com.hk.

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