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)

SCIENCE FOR LIFE
ANNUAL REPORT 2008

PHARMACEUTICALS

AGRICULTURE

NUTRACEUTICALS

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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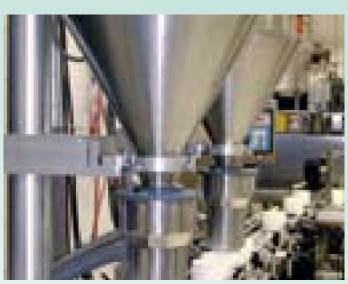

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CHAIRMAN'S STATEMENT

2008 has been an unprecedented year in recent financial history. We have witnessed a global economic crisis of such a magnitude that many businesses, regardless of market or industry, have been affected. CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") is no exception. Our 2008 performance has been substantially affected by external economic factors. Despite a satisfactory operational performance, profitability has been adversely impacted by our treasury investments and by adverse fair value changes in financial instruments.

FINANCIAL HIGHLIGHTS

HK$ Million	2008	2007	Variation
• Turnover	2,992	2,092	+43%
- Health	1,961	1,488	+32%
- Agriculture-related	1,017	511	+99%
- Investment	14	93	-85%
• EBIT* before treasury items	59	(63)	N/A
• Treasury items, including fair value changes on financial instruments	(316)	132	N/A
• Profit/(loss) attributable to shareholders	(352)	117	N/A

* Earnings Before Interest and Tax

Turnover

Turnover increased by 43% over last year to reach HK$2,992 million.

Our business operations in the pharmaceutical, nutraceutical and agriculture-related sectors all performed well in 2008. In spite of the challenging macro-economic environment, progress was achieved in overall operational performance.

EBIT* Before Treasury Items

EBIT* before treasury items increased to HK$59 million as compared to a loss of HK$63 million in 2007. This reflects the improvement in the Company's operational performance over the past year.

Treasury Items, Including Fair Value Changes on Financial Instruments

Due to the negative impact of the global financial crisis, treasury investments suffered a loss of HK$316 million in 2008, of which a substantial portion were adverse fair value changes in financial instruments. It is worth noting though that the reduction in valuation of financial instruments represents an accounting entry and has no immediate cashflow impact.

At this juncture, it is appropriate to explain the role of treasury income for biotech companies such as CK Life Sciences. Over the last six years since listing in 2002, treasury income had represented an important revenue stream for the Company. Despite the treasury investment loss incurred in the year under review, a cumulative treasury income gain of over HK$600 million was generated as at year end 2008. These treasury investment returns have been necessary to help fund business activities and R&D initiatives. As our business operations grew and started to contribute to the Company's profitability, our strategy has been to reduce the proportion and amount of treasury investments and channel resources into various global operations. The investment pool balance had therefore decreased from over HK$2,200 million at the beginning of 2004 to around HK$380 million at the end of 2008. Future exposure to treasury investments is therefore very much reduced.

Net Debt to Equity Ratio

The Company's net debt to equity ratio is at a conservative level of 16.54% as at 31 December 2008.

Profit/(Loss) Attributable to Shareholders

Impacted by substantial treasury losses incurred during the year, the Company recorded a loss attributable to shareholders of HK$352 million. This compares with a profit of HK$117 million in 2007.

Dividends

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2008.

OPERATIONAL HIGHLIGHTS

Health – Pharmaceuticals

CK Life Sciences has a strong pharmaceutical portfolio in the pipeline, with a number of products in various stages of development. We are very excited about the progress made by our pharmaceutical R&D initiatives during the course of the year. To reach the final stage, Phase III, of clinical trials is a significant milestone for a biotech company. The Company is very proud to have one product in advanced Phase III trials in Canada and another in the preparation stage to commence Phase III trials in the United States.

Our pain management product based on tetrodotoxin is at an advanced stage of development. This drug, which is developed as a remedy for alleviating cancer-related pain, has reached the pivotal milestone of Phase III clinical trials under Health Canada. Good progress has been made to date.

In the oncology area, we are developing a therapeutic vaccine for the treatment of melanoma in the United States. R&D for this product is also at an advanced stage. A pre-Investigational New Drug meeting was successfully held with the US FDA last year. We are aggressively working towards the commencement of Phase III clinical trials.

At the pre-clinical stage, two promising cancer projects have been identified for further development. Pre-clinical studies are ongoing in collaboration with Cedars-Sinai Medical Center – University of California at Los Angeles, as well as established contract research organisations.

Health – Nutraceuticals

In 2008, CK Life Sciences' nutraceutical businesses generated sales of nearly HK$2 billion, an increase of 32% as compared to approximately HK$1.5 billion last year. Our portfolio of revenue contributors comprises Santé Naturelle A.G. Ltée ("SNAG") in Canada, Vitaquest International Holdings LLC ("Vitaquest") in the United States and Lipa Pharmaceuticals Limited ("Lipa") in Australia.

In spite of the softening of the consumer market, SNAG was able to maintain its market share and leadership position in Québec, Canada. With a portfolio of over 150 natural health products, SNAG continues to dedicate ongoing efforts in enhancing its product range for customers, targeting growing health segments for the maintenance, prevention or solution of specific health conditions.

Vitaquest's performance represented an improvement over last year. In addition to developing new products to increase customer choice, Vitaquest has also invested in innovative delivery technologies to further enhance its advantages in product development. Improvement works are underway at its facilities to streamline production processes, expedite throughput, increase storage capacity and reduce costs.

In 2008, Lipa delivered a strong first full year of profit contribution. During the year, it has been focused on expanding its new product development capabilities as a means of adding value to existing products and services, as well as to generate higher margins.

Agriculture-related Businesses

The Company's agriculture-related businesses doubled their sales in 2008, with revenue passing the HK$1 billion mark.

Our Australian operations, which comprise Ecofertiliser Pty Ltd ("Ecofertiliser Group") and Accensi Pty Ltd ("Accensi"), performed particularly well during the year. The Ecofertiliser Group draws together a number of companies in Australia which make up CK Life Sciences' eco-fertiliser business operations. As for Accensi, it is the largest independent toll manufacturer of crop protection products in Australia and was acquired early last year. Overall, the Company's agriculture-related businesses in Australia benefitted from increased rainfall and a break in drought, which has increased agricultural activity. Rising commodity prices in the first half of 2008 also encouraged farmers to place orders in anticipation of even higher prices.

Our operations in Mainland China, which are made up of the domestic and export businesses, also performed well during the year. CK Life Sciences' environmentally-friendly fertiliser products include the NutriSmart and NutriWiz ranges. These products have been demonstrated to enhance yield and quality of produce, such as rice, wheat, vegetables, oil palm, sugar cane and fruit, as well as turf. The markets in which the eco-fertiliser products are now being marketed and sold include Hong Kong, Mainland China, Australia, the US, Malaysia and Japan.

PROSPECTS

In 2008, the Company's results have been adversely affected by the global economic crisis. However, we believe that we can step up to face the challenges ahead and successfully emerge from the worldwide downturn.

With a portfolio of health and agriculture-related businesses in different parts of the world, CK Life Sciences has continued to strengthen operating profit and sustain its pace of expansion. We will also assess new acquisition opportunities that can add value to our existing portfolio. At the same time, we are aggressively accelerating the pace of development and commercialisation of our pharmaceutical products. The Company will continue with the strategy of reducing the proportion of treasury activities and hence lower the exposure to treasury investments.

I would like to take this opportunity to thank our shareholders, Board of Directors and staff for their support of the Company during this difficult and challenging time.

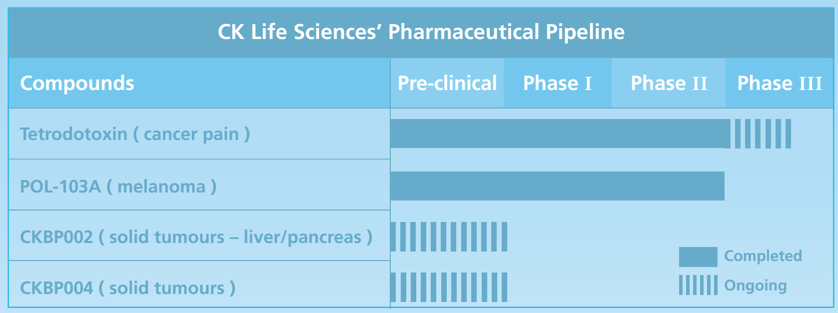
Li Tzar Kuoi, Victor

Chairman

Hong Kong, 16 March 2009

PHARMACEUTICALS

CK Life Sciences' pharmaceutical operations made good progress in 2008. Two products are now in late-stage clinical development. In addition, the Company's in-house cancer research pipeline made steady advancements during the year.



WEX PHARMA

WEX Pharmaceuticals Inc. ("WEX Pharma") is dedicated to the discovery, development, manufacture and commercialisation of innovative drug products to treat pain. WEX Pharma's principal business strategy is to derive drugs from naturally-occurring toxins and develop proprietary products for the global market. Based in Vancouver, Canada, WEX Pharma is listed on the Toronto Stock Exchange. CK Life Sciences is a strategic investor in the company, with active technical participation in its development activities.

This pain management product has reached the significant milestone of Phase III clinical trials under Health Canada and good progress has been made to date.

WEX Pharma's platform technology is built upon tetrodotoxin ("TTX"), a naturally-occurring sodium channel blocker found primarily in puffer fish, which is being developed for pain management. It has been estimated that among the 70-90% of advanced cancer patients that experience pain, a vast majority of them do not feel they have satisfactory pain relief. TTX is being developed in an attempt to fulfill 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. In the future, TTX will be investigated in the management of other pain indications.

WEX Pharma's pain management technology is based on tetrodotoxin, a naturally-occurring toxin found in puffer fish.

The pivotal Phase III registration trial of TTX for inadequately controlled cancer pain has commenced in Canada, with the first patient enrolled in April 2008.

WEX Pharma currently holds rights to 82 patents or patent applications worldwide protecting various therapeutic uses, dosages, formulations and processes involving TTX, as well as certain analogues and/or derivatives of TTX. In addition, there are a number of patents and patent applications of combination therapies involving TTX in the key indication of pain management.

POLYNOMA

Polynoma LLC ("Polynoma") is an oncology-focused biotechnology company based in the United States and is a subsidiary of CK Life Sciences. It 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 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 Investigational New Drug ("IND") application, which will enable the commencement of a Phase III clinical trial.

Polynoma is currently developing a therapeutic vaccine for the treatment of melanoma.

A pre-IND meeting conducted with the FDA last year will assist Polynoma's preparations towards the commencement of Phase III clinical trials.

With a clear development path mapped out, IND-enabling activities have been accelerated. The POL-103A 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.

Manufacturing of clinical trial materials is also progressing well. In 2008, there have been high levels of activity at Polynoma with Master and Working Cell Banks established at third party service providers, and a Good Manufacturing Practice manufacturer selected to make the melanoma vaccine.

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.

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

CK CANCER INSTITUTE

The CK Cancer Institute carries out CK Life Sciences' in-house R&D initiatives in Hong Kong. Significant headway has been made with two promising cancer projects identified for further pre-clinical development. CKBP002 and CKBP004 are being developed for the targeted treatment of a variety of tumour types. Pre-clinical studies are ongoing in collaboration with Cedars-Sinai Medical Center – University of California at Los Angeles, as well as established contract research organisations.

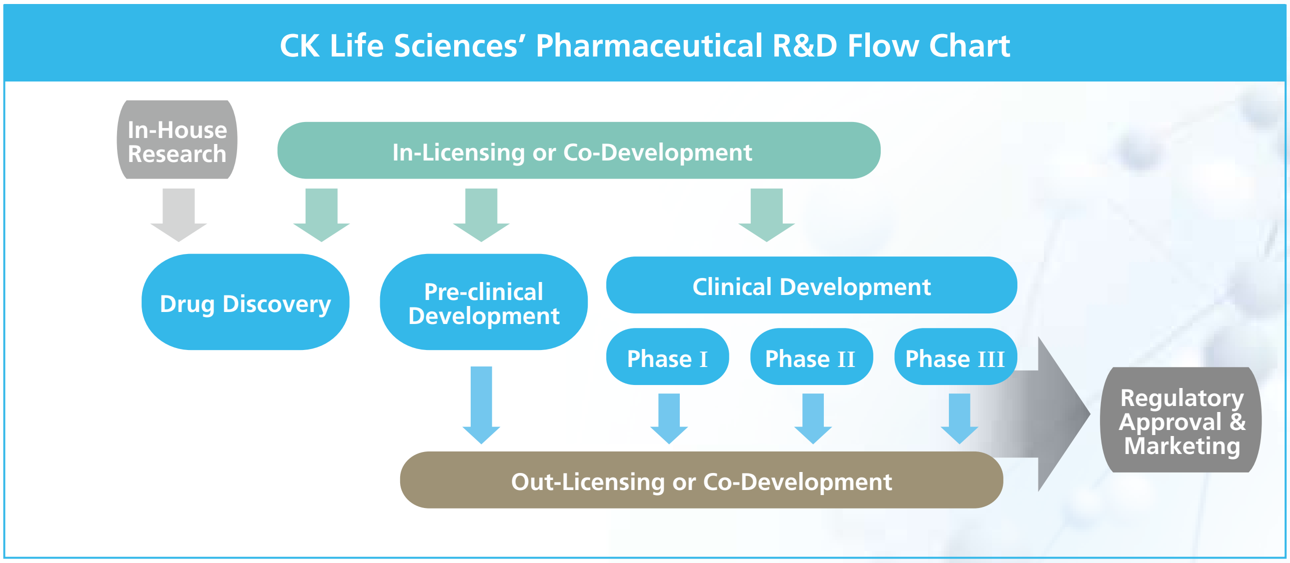
To date, promising results have been observed in cancers such as liver and pancreatic cancer – diseases which continue to be unmet medical needs, with current cancer therapies providing limited improvement in patient survival. If pre-clinical studies continue to be encouraging, CKBP002 and CKBP004 will be progressed into Investigational New Drug ("IND")-enabling studies.

Research is also ongoing in other focused areas, like cancer immunotherapy and biologically active molecules derived from natural products.

As earlier pharmaceutical research efforts start to progress into the clinical development stage, the CK Cancer Institute has revisited its R&D strategy. Dedicated efforts will be sustained to accelerate the clinical stage pipeline, while the CK Cancer Institute's in-house drug discovery efforts will only be focused on novel and innovative disease targets.

The CK Cancer Institute carries out the Company's in-house R&D, with two promising cancer projects identified for further pre-clinical development.

The CK Cancer Institute will continue to actively seek partnering opportunities with academic institutions and biopharmaceutical companies. Enhanced efforts are being made to identify promising drug candidates being developed by pharmaceutical organisations and research institutions from all around the world and to seize opportunities to strategically collaborate with research partners to grow the Company's pharmaceutical pipeline. At the same time, the CK Cancer Institute is exploring possibilities for out-licensing and is also identifying suitable biopharmaceutical companies to be potential partners for co-development and future commercialisation.



NUTRACEUTICALS

During the year, CK Life Sciences' nutraceutical operations around the world recorded a stable performance. Despite the global financial downturn, steady sales were generated by the Company's diverse and quality product portfolio.

SANTÉ NATURELLE A.G.

Since its establishment in 1946 by Mr. Adrien Gagnon, the ongoing mission of Santé Naturelle A.G. Ltée ("SNAG") has been to manufacture and market the best quality natural healthcare products. Today, it is the bestselling range of nutraceuticals in Québec and proud of being the province's favourite and most trusted brand. One out of every two bottles of glucosamine purchased in Québec is branded SNAG.

SNAG's current product range features over 150 natural health options, with the market leaders being the omega brands and glucosamine. In 2008, a number of new products were introduced, including Omega Junior Chewable, Omega Materni-T, Inflamed, SOS Migraine, and Vitamin B12.

Maintaining the highest standards of product quality lies at the heart of SNAG's operations. All of the products under the SNAG brand meet/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. Through this commitment to quality, SNAG is able to deliver safe and reliable products to its customers.

All products under the SNAG brand meet/exceed the standards set by Health Canada for purity and concentration.

Manufacturing processes are carried out in accordance with Health Canada's Good Manufacturing Practice.

Looking forward, SNAG plans to develop more natural health alternatives for medical conditions, treating symptoms and maintaining and promoting health. It is focused on delivering a new line of evidence-based natural health products, targeting growing health segments for the maintenance, prevention or solution of specific health conditions. This will provide customers with increased choice in health management.

Health Canada has taken steps in the last few years to regulate the health supplement industry. As a result, there has been a move towards high quality standardised raw ingredients and health benefit function claims. Today, maintaining or improving health to its best possible state is ranked amongst the highest concerns for Canadians. The majority of Canadians agree that natural health products can be used to maintain or promote health or to treat illness. Tapping into this growing demand for natural health products, SNAG will continue to enhance its product range.

SNAG is the bestselling range of nutraceuticals in Québec, Canada.

Offering a complete solution for customers, Vitaquest possesses comprehensive product development, manufacturing and distribution capabilities.

VITAQUEST

As the leading custom contract manufacturer and distributor of health supplements in the United States, Vitaquest International LLC ("Vitaquest") has a unique business model that leverages its product development, manufacturing and distribution capabilities to provide a complete solution for its customers. Among Vitaquest's diverse customer base are leading names in multi-level marketing and nutritional product distribution.

Headquartered in West Caldwell, New Jersey, Vitaquest has experienced rapid growth since its inception in 1975. Not only does it manufacture supplements, but it is also significantly involved with product concept and development, formulation, packaging, marketing and distribution. Its manufacturing capability encompasses a range of product formats, from tablets, capsules, powders, pouches to liquids, creams and lotions.

Vitaquest operates technologically advanced manufacturing facilities in multiple locations which meet the stringent Good Manufacturing Practice requirements for products marketed in many international jurisdictions, including the United States, Canada and Australia. It is well positioned to benefit from a trend around the world to tighten product quality and manufacturing standards in nutritional supplements.

In the United States, the trend for self-administered wellness and adoption of products containing natural ingredients continues apace. A recent study suggests that the market for vitamins, minerals, homeopathics and herbals will jump 39% between 2008 and 2012 despite pressures in the overall economy. A great deal of this growth is fuelled by value-added products, especially in cardiac health, probiotics, weight management and anti-ageing. In terms of marketing channels, sales to the health food market and alternative channels, such as e-commerce through the Internet and other forms of direct marketing, are flourishing.

Targeting the needs of North American industrial customers and end-users, Vitaquest has developed over 200 new products in the pipeline for all classes of trade. On top of 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.

Vitaquest's versatile and flexible capabilities, as well as experience in quality manufacturing, will enable it to capitalise on changing market trends and ever tightening quality standards.

Work is underway to expand Vitaquest's facility at its key site in New Jersey. Once completed, this expansion project will provide Vitaquest the opportunity to streamline production processes, expedite throughput and increase storage capacity, reduce costs and at the same time better service existing as well as new customers.

Vitaquest is the leading custom contract manufacturer and distributor of health supplements in the United States. Pictured here are Mr. H L Kam, President and Chief Executive Officer of CK Life Sciences *(left)* and Mr. Keith Frankel, Chief Executive Officer of Vitaquest *(right)*.

LIPA

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

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

Lipa is a leading contract manufacturer of complementary healthcare medicines.

The quality of every product that leaves Lipa's facility reflects the company's adherence to a code of ethics and practices that represent the highest standards of testing, manufacture, cleanliness and efficiency. Its excellent reputation in the market place is built on the core values of superior quality and high levels of service and client satisfaction.

In 2008, Lipa has been focused on expanding its New Product Development ("NPD") initiatives as a means of adding value to its existing products and services and to generate higher margins. The NPD process at Lipa works on formulating highly efficacious products based on both traditional use of active ingredients and

In order to add value to its existing products and services, Lipa has been expanding its New Product Development initiatives.

evidence from clinical trials. As part of the overall service to clients, Lipa is able to prepare claim sheets designed to assist in the listing of complementary products with the Therapeutic Goods Administration. While evidence of traditional use is highly regarded in terms of making therapeutic claims, progressively more sponsors are turning to evidence from clinical trials to enable them to make stronger claims on their products. To this end, Lipa has taken an active role in supporting key clients through providing support in human clinical trials.

A result of this ongoing activity is the accumulation of a significant number of published scientific papers on both herbal and nutritional actives. In recent years the efficacy of natural substances has been studied in numerous *in vitro* and *in vivo* trials. Lipa currently boasts a large library of scientific papers which can be used to validate label claims across a broad spectrum of actives and conditions. The professional service has enabled Lipa to have a significant impact in market penetration, particularly in the therapeutic areas of joint health, cardiovascular health and antioxidants.

Lipa has also taken an active lead in the global move towards ageing population and growing obesity issues, focusing particularly on areas such as joint mobility, cardiovascular, ocular and prostate health, as well as weight and stress management conditions.

AGRICULTURE

CK Life Sciences' agriculture-related businesses achieved substantial progress in 2008. The Company's eco-fertiliser products were successfully marketed and sold in a number of markets around the world. Significant sales growth has been recorded during the year.

GREEN VISION

With consumption of fertiliser and agricultural inputs ranking among the highest in the world, the Mainland China market offers great opportunity for the Company's eco-fertiliser business and good progress has been recorded to date. 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 agricultural input solutions targeted at the reduction of environmental pollutants. It offers a full range of products which enable farmers to reduce traditional chemical fertiliser usage and accelerate adoption of organic fertilisers by improving their performance and competitiveness.

Green Vision's fertiliser solutions have been designed for fruits, vegetables, broadacre and other specialty crops.

Green Vision's fertiliser products help to reduce traditional chemical fertiliser usage and accelerate adoption of organic fertilisers by improving performance and competitiveness.

Green Vision focuses on crop-specific fertiliser solutions which generate significant performance advantages over traditional products in the market. These include products 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 demonstrated to reduce chemical usage significantly.

Working with major distributors and large-scale individual farming enterprises, Green Vision's marketing capability extends to all the major agricultural provinces, including Guangdong, Guangxi, Jiangsu, Anhui, Zhejiang and Shangdong. Excellent sales growth has been achieved during 2008.

A pioneer in fertiliser products in Mainland China, Green Vision formulates, manufactures and markets a range of environmentally-friendly products.

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 of companies comprise Nuturf Australia Pty Ltd, Amgrow Pty Ltd, Paton Fertilizers Pty Ltd, Fertico Pty Ltd, and NutriSmart Australia Pty Ltd.

Through these businesses, 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.

CK Life Sciences is the owner of Australia's largest supplier of turf management products and services.

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 fertiliser manufacturing facilities are located in South Australia, New South Wales and Queensland.

The Ecofertiliser group companies are engaged in fertiliser production, distribution, sales and technical support services in Australia.

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

- Recreational turf;
- Amenity horticulture;
- Production horticulture;
- Agriculture; and
- Home garden.

In 2008, the Ecofertiliser group achieved a strong performance, boosted by continued demand for fertiliser products that present a safer, healthier and more environmentally-friendly option than conventional fertilisers and a break in the drought affecting agricultural production in recent years.

CK Life Sciences is the second largest supplier in Australia's home garden products industry.

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 and additional services offered 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 with the standards of the Australian Pesticides and Veterinary Medicines Authority. Since 1995, it has held ISO 9001 quality accreditation.

Accensi's production facilities are located in Western Australia and Queensland, manufacturing a wide range of products for local and multinational companies.

Toll manufacturing is Accensi's key area of expertise and additional services include technical formulation development, storage and distribution.

The company's R&D offers formulation development and analytical services using a wide range of traditional and modern technologies for the development of agricultural and horticultural products.

In 2008, Accensi undertook a number of operational developments. A new facility was established that doubles its non-selective herbicide capacity at its Narangba plant in Queensland and provides flexibility to produce other herbicides during peak season, thus helping to maximise sales. There has also been an upgrade for additional storage of raw materials and finished goods on site. This will enable the business to improve process flow efficiencies and minimise outside storage. In addition to operational developments, Accensi has also been expanding its "off season" business to the home garden market through the development of a new range of products. This is poised to increase Accensi's exposure and market share into this segment.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor

aged 44, is 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 holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. 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.

KAM Hing Lam

aged 62, 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.

IP Tak Chuen, Edmond

aged 56, 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, CATIC International Holdings Limited, Excel Technology International Holdings Limited, The Ming An (Holdings) Company 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 (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. 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.

YU Ying Choi, Alan Abel

aged 53, 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 a Director 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 64, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. Dr. Chu holds a Bachelor of Science from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 20 years' experience in technology project management in the United States, Mainland China and Hong Kong.

TULLOCH, Peter Peace

aged 65, serves as the Chairman and Non-executive Director of each of Powercor Australia Limited, CitiPower Pty and ETSA Utilities. He is also a Director of each of (i) Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust and (ii) Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust, both being substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Company in April 2002.

WONG Yue-chim, Richard, SBS, JP

aged 56, 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 and Sun Hung Kai Properties Limited, all being 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 66, 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 68, 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 51, 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 48, 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 17 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 15 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 54, 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, Vincent

aged 40, 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 18 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 49, is Personnel Manager 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.

LIN Jian-er

aged 53, 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 49, 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 42, 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 48, 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 38, 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.

XIE Weidong

aged 54, is Director, Preclinical Development, of the Company. He holds a Doctor of Philosophy degree in Biology from Imperial College, the University of London, U.K. He specialises in molecular biology and protein chemistry and has over 20 years of experience in research and development. Dr. Xie performed his post-doctoral fellowship in Microbiology at the University of Guelph, Canada and has worked at the Biotech Center at Zhongshan University, China, and Novopharm (now known as Viventia Biotech Ltd.) in Canada. Prior to joining the Company in September 2005, he was Director, Tetramer Facility of St. Jude Children's Research Hospital in Tennessee, U.S.A.

YEUNG, Eirene

aged 48, 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 (Singapore) Limited. Ms. Yeung is a member of the Dual Filing Advisory Group of the Securities and Futures Commission, a member of the Board of Review (Inland Revenue Ordinance) and a member of the Companies Ordinance Rewrite Advisory Group; and was a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region ("HKSAR") from 2005 to 2007. She is a solicitor of the High Court of HKSAR and of the Supreme Court of Judicature in England and Wales, and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.

Overseas

BÉLANGER, Marie

aged 46, is Chief Operating Officer of Santé Naturelle A.G. Ltée, and is responsible for the Company's health supplements operations in Canada. She holds a Bachelor of Commerce degree from McGill University, Canada and is a member of International Coaching Federation. Ms. Bélanger joined Santé Naturelle A.G. Ltée in September 1990 and was involved in many roles and projects in sales, export development and operations. She was appointed Vice President, Operations in 2003 until her departure in 2005 to complete an internationally renowned coaching program. She returned to Santé Naturelle in June 2007 as a consultant and was appointed Chief Operating Officer in January 2008. Prior to joining Santé Naturelle A.G. Ltée, she had worked at Procter & Gamble Inc.

CORBETT, Dean

aged 46, 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 24 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.). His title was renamed CEO of Accensi Pty Ltd in 2007. Mr. Corbett has been a director on the CropLife Australia (formerly Avcare) board since June 2004 and was appointed Treasurer and Chairman of its corporate governance committee in February 2006. CropLife is an Australian industry body which represents developers, registrants, manufacturers and formulators of plant science solutions for use in agriculture, providing stewardship for product safety and quality.

FRANKEL, Keith

aged 44, 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.

OPACIC, Bob

aged 53, 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 49, 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 58, 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 is a qualified 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.

FINANCIAL SUMMARY

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated results summary					
Turnover	311,499	691,004	2,047,622	2,091,592	**2,991,797**
Profit/(loss) attributable to equity holders of the Company	(3,968)*	12,234	102,022	117,001	**(351,768)**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Consolidated balance sheet summary					
Non-current assets	2,310,811	2,830,045	4,616,436	5,009,065	**4,558,080**
Current assets	751,996	850,838	1,315,218	1,930,920	**1,645,646**
Current liabilities	(149,596)	(365,333)	(520,195)	(884,144)	**(716,277)**
Non-current liabilities	(68,223)	(531,463)	(449,435)	(789,109)	**(1,102,577)**
Total net assets	2,844,988	2,784,087	4,962,024	5,266,732	**4,384,872**
Equity attributable to equity holders of the Company	2,795,705	2,736,260	4,946,453	5,151,313	**4,270,768**
Minority interests	49,283	47,827	15,571	115,419	**114,104**
Total equity	2,844,988	2,784,087	4,962,024	5,266,732	**4,384,872**

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

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2008, 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 sources 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 2008, the total bank loans and overdrafts amounted to HK$1,053,120,000. 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$160,116,000 as at 31 December 2008 for loans and overdrafts of HK$109,320,000. The total finance costs of the Group for the year were HK$66,982,000.

At the end of 2008, the total assets of the Group were about HK$6,203,726,000, of which bank balances and deposits were about HK$348,506,000 and marketable securities were about HK$482,378,000. The bank interest generated for the year was HK$14,973,000. Resulting from the global economic crisis in 2008, the total loss arising from the Group's investment segment for the year was HK$315,700,000.

The total net assets of the Group as at 31 December 2008 were HK$4,384,872,000 representing a decrease of 17% as compared to the same reported last year. The net asset value of the Group was decreased from HK$0.55 per share in 2007 to HK$0.46 per share in 2008. The gearing ratio of the Group as at 31 December 2008 was approximately 16.54%, which is calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK$348,506,000) 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 January 2008, the Group completed the acquisition of 100% stake in Accensi Pty Ltd ("Accensi") (the "Acquisition"). Accensi is a company incorporated in Australia. The principal activities of Accensi are manufacturing and marketing of plant protection products and soluble fertilisers. The Acquisition 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 a circular issued on 12 November 2007.

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$61,152,000 in 2008.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2008, the total capital commitments by the Group amounted to HK$4,878,000 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 1,315 at the end of 2008, and is 18 less than the total headcount of 1,333 at the end of 2007. The total staff costs, including director's emoluments, amounted to approximately HK$628.1 million for the year under review, which represents an increase of 29% as compared to the previous year. The increases in staff costs were mainly due to the inclusion of Lipa Pharmaceuticals Limited and Accensi as new members of the Group in November 2007 and January 2008, respectively.

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 2008 (2007: Nil).

RISK FACTORS

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 have resulted in increased stock market volatility, worsening unemployment, and a contraction of economic activities in emerging markets as well as major developed economies. 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 operation or growth prospects. Likewise, product innovation and technical advancement may render the Group's existing and potential applications and products and its own research and development efforts obsolete or non-competitive.

RESEARCH AND DEVELOPMENT

The research and development activities conducted by the Group is a lengthy and expensive process involving a lot of trial testing in order to demonstrate that the products are effective and 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, labelling, 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.

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 2008.

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 2008 are set out in the consolidated income statement on page 102.

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

FIXED ASSETS

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

SHARE CAPITAL

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

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 105.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 29.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 163 and their biographical information is set out on pages 20 to 23.

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. Peter Peace Tulloch, Professor Wong Yue-chim, Richard and Mrs. Kwok Eva Lee 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 2008, 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 2008 were as follows:

		Number of share options						
Name of Director	Date of grant	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2008	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 2008, 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 2008, 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.

The Scheme remains effective after the transfer of the listing of the shares of the Company from the Growth Enterprise Market to the Main Board of the Stock Exchange on 8 September 2008 pursuant to Chapter 9A of the Listing Rules.

(2) Details of options granted by the Company

As at 31 December 2008, options to subscribe for an aggregate of 12,285,769 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 2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2008	Option period	Subscription price per share HK$
30/9/2002	2,556,538	–	–	(388,904)	–	2,167,634	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	5,603,251	–	–	(754,428)	–	4,848,823	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	6,384,320	–	–	(1,115,008)	–	5,269,312	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 2008, 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 2008, 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)
	CATIC International Holdings Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
	The Ming An (Holdings) Company Limited	Non-executive Director	(ii)
	ARA Asset Management Limited	Non-executive Director	(ii)
	Ruinian International Limited	Director	(i)
Yu Ying Choi, Alan Abel	Wex Pharmaceuticals Inc.	Director	(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 2008 under the Listing Rules:

(1) Lease Agreements

On 1 March 2005, Vitaquest International LLC, a subsidiary of the Company, entered into lease agreements ("Lease Agreements") (as defined and more particularly described in the announcement of the Company dated 30 March 2006 (the "VQ Announcement")) with Leknarf Associates, LLC ("Leknarf"), under which three leases in respect of the Premises (as defined and more particularly described in the VQ Announcement) from Leknarf or its predecessor were renewed for a term of fifteen years commencing from 1 March 2005 (hereinafter referred to as the "Continuing Connected Transactions I"). The rents for the three leases of the Premises for each subsequent lease year shall be the rents for the prior lease year increased at the fixed rate of 2% per annum. As at the date of the VQ Announcement, the annual rental for the three leases were approximately US$228,000 (approximately HK$1,774,000), approximately US$1,127,000 (approximately HK$8,768,000) and approximately US$551,000 (approximately HK$4,287,000) respectively. During the year, the rentals paid to Leknarf for the three leases pursuant to the Lease Agreements amounted to US$236,544 (HK$1,845,000), US$1,166,892 (HK$9,102,000) and US$570,240 (HK$4,448,000) respectively. The rents for the three leases have the same payment terms and are to be paid by monthly instalments in advance on the first day of each and every calendar month during the lease period. Leknarf is an associate of an individual investor, who is in turn a substantial shareholder of a non wholly-owned subsidiary of the Company. Leknarf is therefore a connected person of the Company under the 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 Announcement.

(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 19 April 2005 (the "Supply Circular")) were expired on 31 December 2005.

On 29 March 2005, the Company entered into a New CKH Supply Agreement and a New HIL Supply Agreement (both as defined and more particularly described in the Supply Circular) with Cheung Kong Holdings, a substantial shareholder of the Company, and Hutchison International Limited ("HIL"), an associate of Cheung Kong Holdings under the Listing Rules, respectively, under which (a) the Company agreed to continue to provide and/or procure members of the Group to provide the Products (as defined in the Supply Circular) to the CKH Group and the HIL Group (both as defined in the Supply Circular) for a term of three years commencing from 1 January 2006, which has expired on 31 December 2008; (b) Cheung Kong Holdings agreed to continue to purchase and/or procure members of the CKH Group (in respect of associates of Cheung Kong Holdings which are not subsidiaries of Cheung Kong Holdings, to procure with reasonable endeavours only) to purchase the Products from the Group for use or consumption and/or for sale and distribution by the CKH Group both locally and overseas on a non-exclusive basis; and (c) HIL agreed to continue to purchase and/or procure members of the HIL Group (in respect of those members of the HIL Group in which HIL is directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of voting power at general meetings of such companies, to procure with reasonable endeavours only) to purchase the Products from the Group for sale and distribution by the HIL Group both locally and overseas on a non-exclusive basis. In connection with the supply of the Products by the Group to the HIL Group, relevant members of the Group may make the Sales Related Payments (as defined in the Supply Circular) to relevant members of the HIL Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or 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 2006	For the year ended 31 December 2007	For the year ended 31 December 2008
1. The value of the Products to be provided under the transactions under or pursuant to the New CKH Supply Agreement	200,000	300,000	400,000
2. Transactions under or pursuant to the New HIL Supply Agreement:			
(a) the value of the Products to be provided to the HIL Group;	70,000,000	120,000,000	200,000,000
(b) the value of the Sales Related Payments payable by the Group	21,000,000	36,000,000	60,000,000

During the year, the value of the Products provided by the Group to the CKH Group pursuant to the New CKH Supply Agreement amounted to HK$181,000 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$20,479,000 and HK$4,018,000 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 12 May 2005.

The Continuing Connected Transactions II were renewed for a further three years up to 31 December 2011, the approval of which has been obtained from 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 2008 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 2008 (i) have received the approval of the Board and (ii) have not exceeded the relevant caps set out above; 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 2008, 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 2008, the outstanding balance of the HSBC Facilities amounted to HK$109,320,000. 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.

On 29 July 2008, Ample Castle Limited, an indirect wholly-owned subsidiary of the Company, as borrower and the Company together with Ecofertiliser Pty Ltd, Apil Healthcare Int'l Pty Ltd, Lipa Pharmaceuticals Limited, Isnecca Pty Limited and Accensi Pty Ltd, all being indirect wholly-owned subsidiaries of the Company, as guarantors entered into a loan facility agreement (the "CBA Loan Facility Agreement") with the Singapore Branch of the Commonwealth Bank of Australia ("CBA") in which a 3-year term loan of US$121.0 million was granted for the sole purpose of refinancing certain existing loans from the Sydney Branch of the CBA. As one of the conditions mentioned in the CBA Loan Facility Agreement, Cheung Kong Holdings has provided a confirmation that as at 26 July 2008, it held not less than 44.01% of the voting shares of the Company.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2008 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 Corporate Governance Report on pages 68 to 72.

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, 16 March 2009

CORPORATE GOVERNANCE REPORT

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 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("GEM Listing Rules") and Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), where appropriate, throughout the year ended 31 December 2008.

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 2008. • Details of Directors' attendance records in 2008: **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)* — 3/4 KWOK Eva Lee *(Independent Non-executive Director)* — 4/4 Colin Stevens RUSSEL *(Independent Non-executive Director)* — 4/4

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

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

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

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2008. 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3	**Board composition** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	✓	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 163. • The Directors' biographical information and the relationships among the Directors are set out on pages 20 to 23. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.
A.4	**Appointments, re-election and removal** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	✓	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4.2	– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.	✓	• 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.
	– Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	✓	• 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5	**Responsibilities of directors** *Corporate Governance Principle* *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.1	– Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary. – To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	✓ ✓	• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director of the Company and the business operation of the Company. • A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. The "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 *(Note 1)*. • 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.

Note

1. *The Directors have been advised of the amendments to the Listing Rules effective from 1 January 2009.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2	The functions of non-executive directors include: – 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	✓ ✓ ✓ ✓	• The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. • Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	✓	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I for details of attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his necessary knowledge and expertise.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.4	– Directors must comply with the Model Code. – Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	✓ ✓	• The Company has adopted the model code 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 *(Note 2)*. • 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 2008. • 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.

Note

2. *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.*

Code Ref.	Code Provisions	Compliance	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.*		
A.6.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting – So far as practicable for other board or board committee meetings	✓ ✓	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.6.2	– Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. – The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	✓ ✓	• The Company Secretary and the Qualified Accountant attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**The level and make-up of remuneration and disclosure** ***Corporate Governance Principle*** *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.1	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 2007 annual report in March 2008, meetings of the Remuneration Committee were held in November 2008 and January 2009. 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 2008/2009; 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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.	✓ ✓ ✓	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices. • With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards *(Note 3)*. • 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 their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 100 and 101.

Note

3. *Pursuant to the amendments to the Listing Rules effective from 1 January 2009, the requirement for a qualified accountant has been removed. Please refer to Note 4 for the corresponding amendments to Code Provision C.2.1.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.2 (cont'd)	– When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	N/A	
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual 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 *(Note 4)* – 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. *(Note 5)* • 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.

Notes

4. *According to a new Code Provision effective from 1 January 2009, 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.*

5. *Pursuant to the change referred to in Note 4, the Board, through the Audit Committee 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 2009 and noted that the Company is in compliance with the new Code Provision. Please also refer to Note 7 of C.3.3 of Part I.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (cont'd)			*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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3	**Audit Committee** ***Corporate Governance Principle*** *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.1	– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. – Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting	✓ ✓	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. • Audit Committee meetings were held in March, May and August 2008. Details of the attendance records of members of the Audit Committee are as follows: **Members of the Audit Committee** — **Attendance** WONG Yue-chim, Richard *(Chairman of the Audit Committee)* — 3/3 KWOK Eva Lee — 3/3 Colin Stevens RUSSEL — 3/3 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 2008: 1. Review of the financial reports for 2007 annual results and 2008 first quarter and half-year 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (cont'd)			• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 16 March 2009 that the system of internal controls was adequate and effective. • On 16 March 2009, the Audit Committee met to review the Group's 2008 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 2008 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 2008. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2009 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2009 annual general meeting. • The Group's Annual Report for the year ended 31 December 2008 has been reviewed by the Audit Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	✓	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.
C.3.3	Terms of reference of the audit committee should include: – recommendation to the board on the appointment and removal of external auditors and approval of their terms of engagement – review and monitor external auditors' independence and effectiveness of audit process – review of financial information of the company – oversight of the company's financial reporting system and internal control procedures *(Note 6)*	✓	• Terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website *(Note 7)*.

Notes

6. *According to the amended Code Provision C.3.3 effective from 1 January 2009, the terms of reference of the audit committee are required to oversee the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.*

7. *The terms of reference of the Audit Committee have been modified in accordance with the amended Code Provision and adopted by the Board effective from 1 January 2009.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised 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 three meetings in 2008.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2009. • For the year ended 31 December 2008, the external auditor of the Company received approximately HK$9,744,000 for audit services and approximately HK$4,270,000 for non-audit services, comprising reporting accountants on acquisition of business of approximately HK$259,000, tax compliance and advisory services of approximately HK$1,355,000 and consultancy services of approximately HK$2,656,000.
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.
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 99. • 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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.*		

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	✓	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual directors.
E.1.2	– The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting. – The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. *(Note 8)*	✓ ✓	• In 2008, 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. *(Note 9)*

Notes

8. *According to a new Code Provision effective from 1 January 2009, 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.*

9. *The Company's notice to shareholders for the annual general meeting of the Company scheduled for 18 May 2009 has complied with the new Code Provision.*

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2	**Voting by poll** ***Corporate Governance Principle*** *The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.*		
E.2.1	– The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll.	✓	• In 2008, the right to demand a poll was set out in the circular containing the notice of annual general meeting. • In 2008, Chairman of the annual general meeting exercised his power under the Articles of Association of the Company to put each resolution set out in the notice to be voted by way of a poll.
	– The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.	✓	
	– If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	✓	

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2.2	– The company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. – The company should ensure that votes cast are properly counted and recorded.	✓ ✓	• Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the annual general meeting. • Poll results were announced at the adjourned meeting and were posted on the websites of the Company and the Stock Exchange.
E.2.3	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: – the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and – the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required. *(Note 10)*	✓ ✓	• At the 2008 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, which had also been set out in the circular containing the notice of annual general meeting, and then answered any questions from shareholders. • At the 2008 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. *(Note 11)*

Notes

10. *According to the amendments to the Listing Rules effective from 1 January 2009, any vote of shareholders at a general meeting must be taken by poll.*

11. *All the resolutions put to vote at the Company's general meetings in the past few years were already taken by poll.*

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**The Board** ***Corporate Governance Principle*** *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.9	Arrange appropriate insurance cover in respect of legal action against the directors	C	• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since its listing in 2002 including the year 2008/2009.
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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)			• 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 2008. The meeting held in November 2008 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 2009 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 – Reasonable notice for other board meetings	 C 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. • At least 14 days formal notice would be given before each Board Committee meeting.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	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.
	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.	C 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. • 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. – Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C C	• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached. • Board Committee members are given an opportunity to comment on the draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.7		• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	– A 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	
	– 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		• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable. • In case of conflict of interests, relevant Directors refrain from voting. Mr. Victor Li, the Chairman of the Board, is also the Chairman of the Remuneration Committee. He refrained from voting at decisions made in respect of his own remuneration package.
	– 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	
	– 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 2008. • 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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2008. Details of the attendance records of the meetings are set out on page 54.
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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.
A.3	**Board composition** ***Corporate Governance Principle*** *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	C	• The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees.
		E	• The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4	**Appointments, re-election and removal** ***Corporate Governance Principle*** *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.3	– If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. – The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.	C C	• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and was independent in accordance with the terms of the guidelines. While 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.

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

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (cont'd)	(c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.		• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the 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 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. The "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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or 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 for details of attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I for details of attendance records.

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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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 2008. Please refer to note 39 in the Notes to the Financial Statements for details of discretionary bonus.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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.*		

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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.* – 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.* * Note: a Recommended Best Practice under the Listing Rules only	E	• The Company transferred its listing from the Growth Enterprise Market to the Main Board of the Stock Exchange on 8 September 2008. During the time when the Company was listed on the Growth Enterprise Market, it issued quarterly financial results and half-yearly financial results within 45 days after the end of the relevant periods, and annual financial results within 3 months after the end of the relevant year in compliance with the GEM Listing Rules. During the year, all significant and price-sensitive transactions have been announced and disclosed in accordance with the GEM Listing Rules or Listing Rules (where appropriate). The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. Subsequent to the transfer of listing to the Main Board, the Company has not issued quarterly financial results for the third quarter of 2008 as a means to save costs, but the Company will review the situation from time to time.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	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.2.2	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;	C C C	• The Board, through the Audit Committee, reviews annually the effectiveness of system of internal control of the Company and its subsidiaries. This review considers: – the changes since the last annual review in the nature and extent of significant risks, and how the Company responds to changes in its business and the external environment; – the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and the work of the Internal Audit Function; – the extent and frequency of the communication of the results of the monitoring, which enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed; – any incidence of significant control failings or weaknesses identified and the extent that they have caused unforeseeable outcomes or contingencies that could have material impact on the Company's financial performance or condition; and – the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.

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

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

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

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

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 99.
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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.2	**Board Committees** ***Corporate Governance Principle*** *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		

There is no recommended best practice under Section D.2 in the Code on CG Practices.

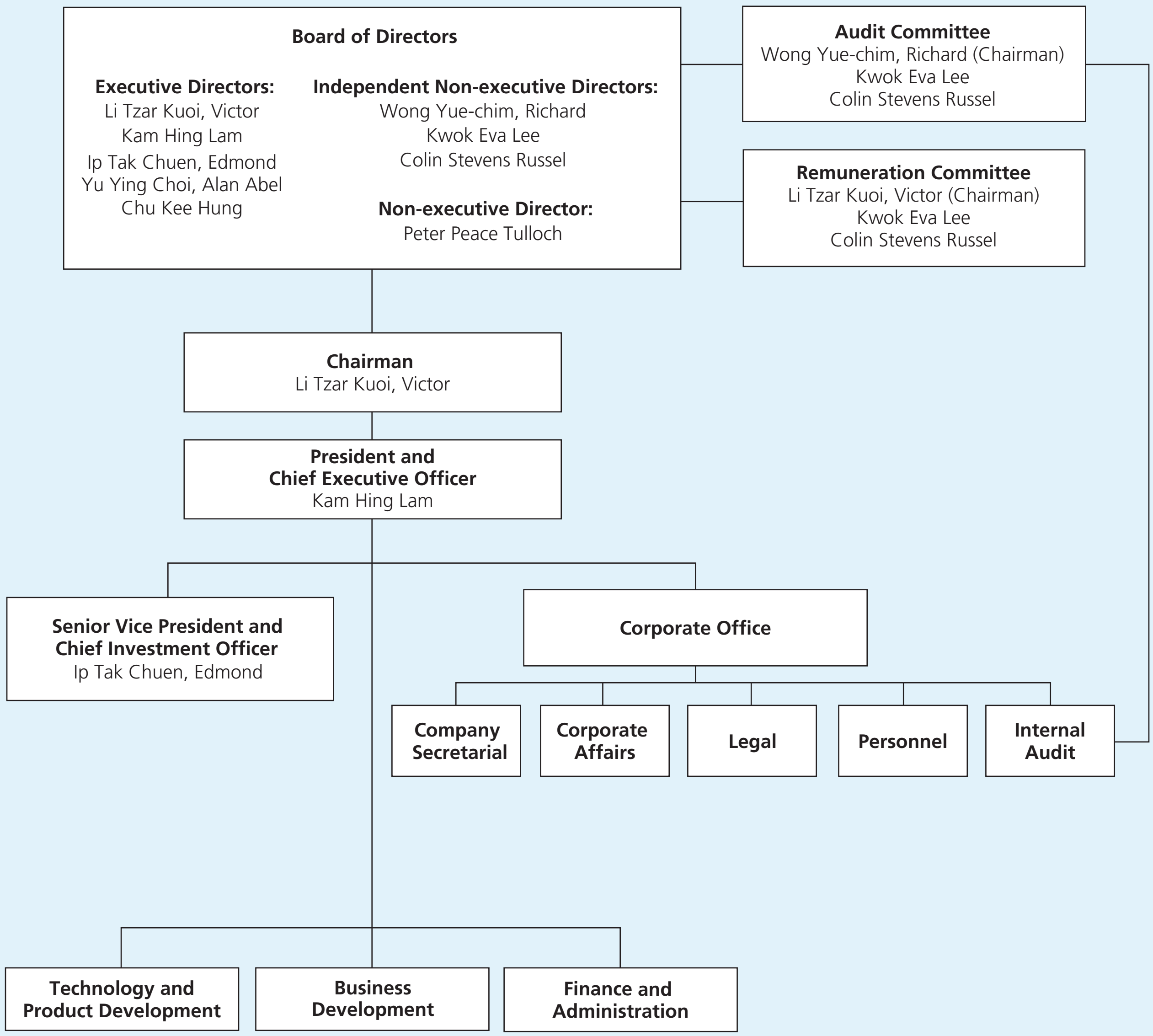
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**Effective communication** ***Corporate Governance Principle*** *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage 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 regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.*		

There is no recommended best practice under Section E.2 in the Code on CG Practices.

MANAGEMENT STRUCTURE CHART



INDEPENDENT AUDITOR'S REPORT

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 102 to 162, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss 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

16 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000 (Restated)
Turnover	7	**2,991,797**	2,091,592
Cost of sales		**(2,084,217)**	(1,355,539)
		907,580	736,053
Other income, gains and losses	8	**(275,863)**	45,788
Staff costs	9	**(344,459)**	(298,148)
Depreciation		**(31,876)**	(28,934)
Amortisation of intangible assets		**(50,412)**	(37,138)
Other operating expenses		**(442,233)**	(349,699)
Revaluation deficit on building		**(11,420)**	–
Gain on disposal of associates		**–**	2,712
Gain on disposal of a subsidiary		**–**	2,100
Finance costs	10	**(66,982)**	(34,232)
Share of results of associates		**(9,878)**	(5,510)
(Loss)/profit before taxation		**(325,543)**	32,992
Taxation	11	**(27,540)**	82,319
(Loss)/profit for the year	12	**(353,083)**	115,311
Attributable to:			
Equity holders of the Company		**(351,768)**	117,001
Minority interests		**(1,315)**	(1,690)
		(353,083)	115,311
(Loss)/earnings per share	13		
– Basic		**(3.66 cents)**	1.22 cents
– Diluted		**(3.66 cents)**	1.22 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	15	**432,803**	504,467
Prepaid lease for land	16	**12,074**	12,388
Intangible assets	17	**3,722,997**	3,884,548
Interests in associates	18	**44,472**	59,164
Convertible debentures issued by an associate	19	**58,885**	24,895
Available-for-sale investments	20	**209,343**	150,101
Investments at fair value through profit or loss	21	**58,430**	323,230
Deferred taxation	32	**19,076**	50,272
		4,558,080	5,009,065
Current assets			
Debt investment	22	**59,474**	–
Investments at fair value through profit or loss	21	**139,351**	55,104
Derivative financial instruments	23	**15,780**	18,428
Tax recoverable		**3,629**	–
Inventories	24	**463,711**	382,841
Receivables and prepayments	25	**615,195**	667,525
Deposits with financial institutions	26	**44,952**	40,131
Bank balances and deposits	27	**303,554**	766,891
		1,645,646	1,930,920
Current liabilities			
Payables and accruals	28	**(588,995)**	(672,262)
Derivative financial instruments	23	**(99,398)**	(55,889)
Bank overdrafts	27	**(7,445)**	(13,391)
Bank loans	29	**–**	(125,901)
Finance lease obligations	30	**(494)**	(752)
Taxation		**(19,945)**	(15,949)
		(716,277)	(884,144)
Net current assets		**929,369**	1,046,776
Total assets less current liabilities		**5,487,449**	6,055,841
Non-current liabilities			
Bank loans	29	**(1,045,675)**	(710,546)
Finance lease obligations	30	**(1,108)**	(937)
Loan from a minority shareholder	31	**(25,907)**	(27,574)
Deferred taxation	32	**(29,887)**	(50,052)
		(1,102,577)	(789,109)
Total net assets		**4,384,872**	5,266,732

CONSOLIDATED BALANCE SHEET (CONT'D)

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Capital and reserves			
Share capital	33	**961,107**	961,107
Share premium and reserves		**3,309,661**	4,190,206
Equity attributable to equity holders of the Company		**4,270,768**	5,151,313
Minority interests		**114,104**	115,419
Total equity		**4,384,872**	5,266,732

Li Tzar Kuoi, Victor
Director

Ip Tak Chuen, Edmond
Director

16 March 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	961,107	4,147,543	(22,945)	27,226	8,712	(175,190)	4,946,453	15,571	4,962,024
Gain on fair value changes of available-for-sale investments	–	–	7,556	–	–	–	7,556	–	7,556
Exchange difference arising from translation	–	–	–	71,249	–	–	71,249	–	71,249
Income recognised directly in equity	–	–	7,556	71,249	–	–	78,805	–	78,805
Profit for the year	–	–	–	–	–	117,001	117,001	(1,690)	115,311
Release on disposal of a subsidiary	–	–	–	(912)	–	–	(912)	(7,662)	(8,574)
Release on disposal of associates	–	–	–	(3,628)	–	–	(3,628)	–	(3,628)
Release on disposal of available-for-sale investments	–	–	13,594	–	–	–	13,594	–	13,594
Total recognised income and expenses for the year	–	–	21,150	66,709	–	117,001	204,860	(9,352)	195,508
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	109,200	109,200
Employee's share option lapse during the year	–	–	–	–	(1,421)	1,421	–	–	–
At 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 on fair value changes of available-for-sale investments	**–**	**–**	**(27,104)**	**–**	**–**	**–**	**(27,104)**	**–**	**(27,104)**
Exchange difference arising from translation	**–**	**–**	**–**	**(530,572)**	**–**	**–**	**(530,572)**	**–**	**(530,572)**
Expenses recognised directly in equity	**–**	**–**	**(27,104)**	**(530,572)**	**–**	**–**	**(557,676)**	**–**	**(557,676)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(351,768)**	**(351,768)**	**(1,315)**	**(353,083)**
Impairment of available-for-sale investments	**–**	**–**	**27,104**	**–**	**–**	**–**	**27,104**	**–**	**27,104**
Release on disposal of investments	**–**	**–**	**1,795**	**–**	**–**	**–**	**1,795**	**–**	**1,795**
Total recognised income and expenses for the year	**–**	**–**	**1,795**	**(530,572)**	**–**	**(351,768)**	**(880,545)**	**(1,315)**	**(881,860)**
Employee's share option lapse during the year	**–**	**–**	**–**	**–**	**(1,165)**	**1,165**	**–**	**–**	**–**
At 31 December 2008	**961,107**	**4,147,543**	**–**	**(436,637)**	**6,126**	**(407,371)**	**4,270,768**	**114,104**	**4,384,872**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	**2008 HK$'000**	2007 HK$'000 (Restated)
(Loss)/profit before taxation		**(325,543)**	32,992
Share of results of associates		**9,878**	5,510
Finance costs		**66,982**	34,232
Depreciation		**60,130**	43,291
Amortisation of prepaid lease for land		**314**	312
Loss on disposal of available-for-sale investments		**–**	2,408
Impairment of available-for-sale investments		**27,104**	–
Net loss/(gain) on investments at fair value through profit or loss		**239,667**	(19,758)
Net loss/(gain) on derivative financial instruments		**43,499**	(2,986)
Revaluation deficit on building		**11,420**	–
(Gain)/loss on disposal of property, plant and equipment		**(1,599)**	466
Gain on disposal of associates		**–**	(2,712)
Gain on disposal of a subsidiary		**–**	(2,100)
Interest income		**(22,473)**	(17,928)
Amortisation of intangible assets		**50,412**	37,138
Net impairment of trade receivables		**27,436**	612
Inventories written off		**1,499**	4,710
Operating cash flows before working capital changes		**188,726**	116,187
(Increase)/decrease in inventories		**(108,665)**	19,619
(Increase)/decrease in receivables and prepayments		**(32,828)**	58,816
Decrease in payables and accruals		**(55,089)**	(190,930)
Profits tax paid		**(14,962)**	(3,479)
Net cash (used in)/from operating activities		**(22,818)**	213
Investing activities			
Purchases of property, plant and equipment		**(42,765)**	(38,506)
Proceeds from disposal of property, plant and equipment		**2,291**	2,531
Increase in interest in an associate		**–**	(37,824)
Purchase of subsidiaries	40	**(206,026)**	(628,588)
Disposal of associates		**–**	(177)
Disposal of subsidiaries	40	**–**	(4,269)
Proceeds from disposal of subsidiary in prior year		**17,028**	–
Purchase of convertible debentures issued by an associate		**(59,260)**	(28,050)
Purchase of debt investment		**(58,706)**	–
Purchases of investments at fair value through profit or loss		**(388,090)**	(243,122)
Purchase of available-for-sale investments		**(86,346)**	(101)
Proceeds from disposal of investments at fair value through profit or loss		**346,717**	817,519
Proceeds from disposal of available-for-sale investment		**–**	174,469
Expenditure on intangible assets		**(32,415)**	(59,250)
(Increase)/decrease in deposits with financial institutions		**(4,821)**	7,800
Interest received		**14,973**	17,471
Net cash used in investing activities		**(497,420)**	(20,097)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (Restated)
Financing activities			
New bank loans raised		**1,100,222**	509,123
Repayment of bank loans		**(942,593)**	(118,427)
Finance leases obligations repaid		**(998)**	(2,304)
Interest paid		**(66,697)**	(33,971)
Repayment of loan from a minority shareholder of a subsidiary		**(1,469)**	(1,075)
Net cash from financing activities		**88,465**	353,346
Net (decrease)/increase in cash and cash equivalents		**(431,773)**	333,462
Cash and cash equivalents at beginning of the year		**753,500**	411,693
Effect of foreign exchange rate changes		**(25,618)**	8,345
Cash and cash equivalents at end of the year	27	**296,109**	753,500

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. In September 2008, the Company transferred the listing of its shares from the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of 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 amendments and interpretations ("New Standards") of Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the current accounting period. Except for the adoption of HK(IFRIC) Interpretation 12 "Service Concession Arrangements" as detailed below, the adoption of the New Standards had no material impact on how the financial statements of the Group for the current or prior financial years have been prepared and presented.

Adoption of HK(IFRIC) Interpretation 12 "Service Concession Arrangements" (the "Interpretation 12")

The Interpretation 12 provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

The Group as water treatment operator has access to operate the water treatment plant to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract.

In prior years, the Group's water treatment plant, including construction costs incurred on water treatment plant work and related fixed assets, was recorded as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Depreciation of the water treatment plant was calculated to write off its cost on a straight-line basis over its expected useful life.

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

In accordance with the Interpretation 12, water treatment plant within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the plant, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 "Construction Contracts" for the construction and upgrade services of the plant and to account the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service or a financial asset in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement". In addition, the operator accounts for the services in relation to the operation of the plant in accordance with HKAS 18 "Revenue".

For the accounting period beginning on 1 January 2008, the Group applied the Interpretation 12 retrospectively and the financial impact on application of this interpretation is summarised in note 5.

The Group has not early applied the following new/revised standards and interpretations that have been issued but are not yet effective for the financial period beginning 1 January 2008. 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. The directors of the Company anticipate that the application of the other new/revised standards and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-Cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

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

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

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers on or after 1 July 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination

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

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

(c) Property, plant and equipment

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

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

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

Building	2.5% to 10% or over the terms of the lease, whichever is shorter
Laboratory instruments, plant and equipment	6%-33$^1/_3$%
Furniture, fixtures and other assets	4%-50%

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 is included in the income statement in the year in which the item is derecognised.

(d) Prepaid lease for land

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

(e) Intangible assets

i. Development costs

Expenditure on research activities is 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 the income statement on a straight-line basis over the estimated useful lives of the underlying products of 10 years.

ii. Patents

On initial recognition, patents acquired separately and from business combinations are 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.

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 the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

iii. Goodwill (cont'd)

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 the income statement. 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.

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 and distribution network)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment

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

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

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are 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.

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 as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments

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

All regular way purchases or sales of financial assets are 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 market place.

Effective interest method

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

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 being recognised in the consolidated income statement. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

A financial asset/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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

i. Investments at fair value through profit or loss (cont'd)

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.

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 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 the consolidated income statement (see accounting policy on impairment loss on financial assets below).

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

iii. Loans and receivables

Loans and receivables (including debt portion of convertible debentures issued by an associate, 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 are carried 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 each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

iv. Impairment of financial assets (cont'd)

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.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

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 equity is recognised in profit or loss.

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

(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 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 the consolidated income statement as so to provide a constant periodic rate of charge over the lease terms.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Retirement benefit costs

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

(m) Share-based payment

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

At the time when the share options are exercised, the amount previously 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.

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 the consolidated income statement in respect of the value of options granted in the year.

(n) Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currencies (cont'd)

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

(o) Taxation

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

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

Deferred tax is 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, and is accounted for using the balance sheet liability method. 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.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flow expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value of subsidiaries where the goodwill arises. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. As at 31 December 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. As at 31 December 2008, no impairment loss has been identified. Details of the impairment test on goodwill and capitalised development costs are set out in note 17.

As at 31 December 2008, a deferred tax asset of HK$19,076,000 (2007: HK$50,272,000) has been recognised in the Group's balance sheet. 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 income statement for the period in which such a reversal takes place.

5. RESTATEMENTS

In the current year, the Group has made the following restatements:

(a) As detailed in note 2, the Group adopted Interpretation 12 retrospectively for the accounting period beginning on 1 January 2008.

b) During the year ended 31 December 2007, the Group acquired a subsidiary, Lipa Pharmaceuticals Limited ("Lipa"), of which the fair values of the identifiable assets, liabilities and contingent liabilities acquired were determined provisionally. During the year, the Group made an adjustment in relation to the deferred tax liabilities on the intangible assets – customer relationship. The adjustments to the fair value were made as if initial accounting had been incorporated from acquisition date. Accordingly, the goodwill calculation was revised as detailed in note 40(b).

5. RESTATEMENTS (CONT'D)

The cumulative effects of the above restatements on the related balance sheet items as at 31 December 2007 and 1 January 2008 are summarised below:

	As at 31 December 2007 (originally stated) HK$'000	Application of Interpretation 12 HK$'000	Subsequent goodwill adjustment HK$'000	As at 31 December 2007 (restated) and 1 January 2008 HK$'000
Property, plant and equipment	581,853	(77,386)	–	504,467
Intangible assets	3,770,114	77,386	37,048	3,884,548
Deferred tax assets	87,320	–	(37,048)	50,272
Total effects on assets	4,439,287	–	–	4,439,287

There are no cumulative effects on the Group's total equity as at 1 January 2007, 31 December 2007 and 1 January 2008.

There are no impact on the results for the current and prior years resulting from the subsequent goodwill adjustment and the effects of the application of the Interpretation 12 on the results of the group are as follows:

	2008 HK$'000	2007 HK$'000
Decrease in depreciation	**4,010**	4,133
Increase in amortisation of intangible assets	**(4,010)**	(4,133)
Increase in (loss)/profit for the year	**–**	–

There are no effect on the loss/earnings per share and the diluted loss/earnings per share.

6. 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 2008, the gearing ratio of the Group is 16.54 % (2007: 0.86%).

Financial Risk Management

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

(a) Credit risk

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

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 25.

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.

6. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

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 balance sheet dates are analysed into relevant maturity buckets based on their contractual maturity dates in the table below:

	Payables and accruals HK$'000	Bank overdrafts HK$'000	Bank loans HK$'000 (note (i))	Finance lease obligations HK$'000	Loan from a minority shareholder HK$'000 (note (i))	Total HK$'000
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**

6. 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$'000 (note (i))	Finance lease obligations HK$'000	Loan from a minority shareholder HK$'000 (note (i))	Total HK$'000
2007						
Carrying amount	672,262	13,391	836,447	1,689	27,574	1,551,363
Total contractual undiscounted cash flow						
Within 1 year or on demand	672,262	13,391	185,089	1,019	3,992	875,753
More than 1 year but less than 2 years	–	–	189,613	853	4,147	194,613
More than 2 years but less than 5 years	–	–	610,205	–	11,612	621,817
More than 5 years	–	–	–	–	56,616	56,616
	672,262	13,391	984,907	1,872	76,367	1,748,799

Note:

(i) The interest portion included in the undiscounted cash flow is calculated based on the balances as at 31 December 2008 and 31 December 2007 without taking into account of future increase or decrease of the balances. Interest rates are estimated using contractual rates or, if floating, based on current interest rates as at the respective balance sheet date.

(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 26 to 27 and 21 to 23, respectively.

6. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(c) Interest rate risks (cont'd)

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 2008, 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, loss before taxation for the year would has been HK$5,228,000 higher/lower (2007: profit before taxation for the year would has been HK$4,182,000 lower/higher), mainly as a result of higher/lower interest expense on bank loans. The 50 bps increase/decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual balance date. The above sensitivity analysis is based on the bank loan balances of HK$1,045,675,000 as at 31 December 2008 (2007: HK$836,447,000) without considering the increases/decreases of the loan balances during the year.

(d) Currency risk

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

(e) Other price risk

The Group is exposed to securities price changes arising from its investments at fair value through profit or loss and available-for-sale investments (notes 20 and 21).

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 loss before taxation would decrease/increase by HK$9,930,000 (2007: profit before taxation would increase/decrease by HK$2,755,000) as a result of changes in its fair value. The 5% increase/decrease represents management's assessment of a reasonably possible change in share prices over the period until the next annual balance sheet date.

7. TURNOVER

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

	2008 HK$'000	2007 HK$'000
Environment	**1,016,872**	510,948
Health	**1,961,166**	1,487,959
Investment	**13,759**	92,685
	2,991,797	2,091,592

8. OTHER INCOME, GAINS AND LOSSES

	2008 HK$'000	2007 HK$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	**14,973**	17,165
Interest income from convertible debentures issued by an associate	**6,732**	763
Loss on disposal of available-for-sale investments	**–**	(2,408)
Impairment on available-for-sale investments	**(27,104)**	–
Net (loss)/gain on investments at fair value through profit or loss		
– Investments held for trading	**17,183**	39,123
– Others	**(256,850)**	(19,365)
Net (loss)/gain on derivative financial instruments	**(43,499)**	2,986

9. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$628.1 million (2007: HK$488.1 million) of which HK$13.8 million (2007: HK$16.1 million) relating to development activities was capitalised and HK$269.8 million (2007: HK$173.9 million) relating to direct labor costs was included in cost of sales.

Staff costs also include operating lease rentals of HK$0.8 million (2007: HK$1.0 million) in respect of accommodation provided to staff.

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**62,753**	29,943
Bank overdrafts	**1,220**	1,430
Loan from a minority shareholder	**2,838**	2,531
Finance leases	**171**	328
	66,982	34,232

11. TAXATION

	2008 HK$'000	2007 HK$'000
The tax expenses/(credit) for the year represents:		
Current tax		
Hong Kong	**7,467**	7,504
Other jurisdictions	**2,959**	1,930
Under/(over) provision in prior year		
Other jurisdictions	**4,429**	(10,988)
Deferred tax (Note 32)		
Hong Kong	**(62)**	808
Other jurisdictions	**12,747**	(81,573)
	27,540	(82,319)

11. TAXATION (CONT'D)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2008	2007
	HK$'000	HK$'000
(Loss)/profit before taxation	**(325,543)**	32,992
Notional tax at tax rate of 16.5% (2007: 17.5%)	**(53,714)**	5,774
Tax effect of share of results of associates	**1,630**	964
Tax effect of non-deductible expenses	**77,091**	15,567
Tax effect of non-taxable income	**(49,198)**	(68,187)
Tax effect of tax losses not recognised	**43,049**	20,632
Under/(over) provision in prior year	**4,429**	(10,988)
Tax effect of utilisation of tax losses previously not recognised	**(1,835)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8,953**	(40,708)
Others	**(2,865)**	(5,373)
Tax expenses/(credit)	**27,540**	(82,319)

12. (LOSS)/PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000 (Restated)
(Loss)/profit for the year has been arrived at after charging:		
Auditors' remuneration	**9,744**	7,306
Depreciation of property, plant and equipment		
Owned assets	**61,381**	52,175
Assets held under finance leases	**544**	800
	61,925	52,975
Amount included in production overheads	**(28,254)**	(14,357)
Amount capitalised as development costs	**(1,795)**	(9,684)
	31,876	28,934
Research and development expenditure	**61,152**	90,244
Amount capitalised as development costs (Inclusive of capitalised depreciation of HK$1,795,000 (2007: HK$9,684,000))	**(32,768)**	(66,651)
	28,384	23,593
Amortisation of development costs	**3,807**	3,460
	32,191	27,053
Impairment losses of trade receivables	**27,436**	5,414
Inventories written off	**1,499**	4,710
Operating lease expenses		
– land	**314**	312
– other properties	**28,617**	24,006
Loss on disposal of property, plant and equipment	**–**	466
Exchange loss	**26,406**	–
and after crediting:		
Dividend income from listed securities (included in turnover)	**932**	205
Bad debt recovery	**–**	4,802
Exchange gain	**–**	9,607
Gain on disposal of property, plant and equipment	**1,599**	–
Interest income from debt investments (included in turnover)		
– Unlisted	**4,089**	–
Interest income from available-for-sale investments (included in turnover)		
– Unlisted	**–**	4,765
Interest income from investments at fair value through profit or loss (included in turnover)		
– Listed	**287**	–
– Unlisted	**8,451**	87,715

13. (LOSS)/EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit for the year		
(Loss)/profit for calculating basic and diluted earnings per share	**(351,768)**	117,001
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted (loss)/earnings per share	**9,611,073,000**	9,611,073,000

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2008 and 2007.

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000 (Restated)	Furniture, fixtures and other assets HK$'000 (Restated)	Leasehold improvement HK$'000	Total HK$'000 (Restated)
Cost or valuation						
At 1 January 2007	103,160	1,497	208,888	82,346	46,261	442,152
Additions	35	9,948	6,941	5,439	16,143	38,506
Acquired on acquisition of a subsidiary	115,760	1,394	109,489	4,768	–	231,411
Reclassification	–	(850)	561	289	–	–
Disposals	(1,679)	–	(2,345)	(2,599)	–	(6,623)
Disposal of subsidiary	–	(56)	–	(79)	–	(135)
Exchange difference	796	103	10,256	4,329	266	15,750
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 31 December 2008	**168,713**	**15,279**	**334,152**	**95,401**	**61,072**	**674,617**
Comprising:						
Cost	**–**	**15,279**	**334,152**	**95,401**	**61,072**	**505,904**
Valuation	**168,713**	**–**	**–**	**–**	**–**	**168,713**
	168,713	**15,279**	**334,152**	**95,401**	**61,072**	**674,617**

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

	Freehold land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000 (Restated)	Furniture, fixtures and other assets HK$'000 (Restated)	Leasehold improvement HK$'000	Total HK$'000 (Restated)
Depreciation						
At 1 January 2007	9,572	–	91,976	48,483	7,104	157,135
Provided for the year	2,708	–	32,014	11,124	7,129	52,975
Eliminated upon disposals	–	–	(1,610)	(542)	(1,474)	(3,626)
Eliminated upon disposal of subsidiary	–	–	–	(60)	–	(60)
Exchange difference	507	–	6,251	3,249	163	10,170
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 31 December 2008	**1,949**	**–**	**151,195**	**68,531**	**20,139**	**241,814**
Carrying Value						
At 31 December 2008	**166,764**	**15,279**	**182,957**	**26,870**	**40,933**	**432,803**
At 31 December 2007	205,285	12,036	205,159	32,239	49,748	504,467

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

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

	2008	2007
	HK$'000	HK$'000
Land in Hong Kong under medium term lease	**76,000**	89,691
Overseas freehold land	**90,764**	115,594
	166,764	205,285

The building in Hong Kong was revalued at HK$76,000,000 on 31 December 2008 by the Directors on an depreciated replacement cost basis with reference to valuation at 31 December 2008 by DTZ Debenham Tie Leung, an independent professional valuer. The freehold land and building in overseas was revalued by the Directors of the Group by reference to recent market prices for similar properties. Had the freehold land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$178,092,000 (2007: HK$205,187,000).

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$1,520,000 (2007: HK$1,906,000).

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$1,521,000 (2007: nil).

16. PREPAID LEASE FOR LAND

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

17. INTANGIBLE ASSETS

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000 (Restated)	Trademark HK$'000	Customer relationship HK$'000	Distribution network HK$'000	Concession assets HK$'000 (Restated)	Other intangible assets HK$'000	Total HK$'000 (Restated)
Cost									
At 1 January 2007	248,408	14,342	2,482,526	110,592	209,539	37,463	95,485	7,936	3,206,291
Additions	175,268	2,244	590	–	–	–	–	32	178,134
Arising on acquisition of a subsidiary	–	–	373,330	–	123,495	–	–	–	496,825
Exchange difference	202	18	68,164	14,865	3,976	–	11,179	1,583	99,987
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 31 December 2008	456,524	18,101	2,817,477	105,706	328,357	37,463	83,530	7,627	3,854,785
Amortisation									
At 1 January 2007	11,813	1,710	–	–	16,010	2,205	22,322	1,591	55,651
Provided for the year	3,460	442	–	–	23,653	3,882	4,133	1,568	37,138
Exchange difference	(173)	16	–	–	1,621	–	2,823	(387)	3,900
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 31 December 2008	18,946	2,720	–	–	73,601	9,969	23,894	2,658	131,788
Carrying value									
At 31 December 2008	437,578	15,381	2,817,477	105,706	254,756	27,494	59,636	4,969	3,722,997
At 31 December 2007	408,778	14,436	2,924,610	125,457	295,726	31,376	77,386	6,779	3,884,548

17. INTANGIBLE ASSETS (CONT'D)

As detailed in note 40(a), 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.

As detailed in notes 5 and 40(b), during the year ended 31 December 2007, the Group acquired Lipa of which the fair values of the identifiable assets, liabilities and contingent liabilities were determined provisionally. During the year, the Group made certain fair value adjustments to the carrying amounts of its identifiable assets and liabilities. The adjustments to the fair values were made as if initial accounting had been incorporated from acquisition date. Accordingly, goodwill arising on acquisition of a subsidiary for the year ended 31 December 2007 increased by HK$37,048,000.

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 2008 allocated to these segments are as follows:

	Goodwill		**Trademark**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Health	**2,602,681**	2,756,892	**92,460**	108,543
Environment	**214,796**	167,718	**13,246**	16,914
	2,817,477	2,924,610	**105,706**	125,457

During the year ended 31 December 2008, 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 cost by assessing, where appropriate, the cash flow and profit projections, and the progress of the development activities of the relevant product groups.

Other intangibles assets include non-competition agreement.

18. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	HK$'000
Cost of investments in associates		
Unlisted	**23,668**	23,668
Listed overseas	**37,824**	37,824
Share of post-acquisition results	**(13,452)**	(3,574)
Exchange reserve	**(3,568)**	1,246
	44,472	59,164
Fair value of listed investments	**37,094**	49,387

The Group's interests in an overseas listed associate represents the Group's interests in Wex Pharmaceuticals Inc. ("Wex"), which was incorporated in Canada and is listed on the Toronto Stock Exchange ("TSX").

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:

	2008	2007
	HK$'000	HK$'000
Total assets	**466,330**	431,490
Total liabilities	**(291,689)**	(205,553)
Net assets	**174,641**	225,937
Group's share of net assets of associates	**44,472**	59,164
Revenue	**122,796**	100,871
Loss for the year	**(37,226)**	(16,926)
Group's share of results of associates for the year	**(9,878)**	(5,510)

19. CONVERTIBLE DEBENTURES ISSUED BY AN ASSOCIATE

	2008 **HK$'000**	2007 HK$'000
Convertible debentures issued by an associate	**73,862**	27,649
Embedded derivative portion, at fair value (note 23)	**(14,977)**	(2,754)
Debt portion	**58,885**	24,895

As part of the acquisition of Wex in 2007, Wex agreed to issue to the Group convertible debentures (the "Debentures") in the principal sum of CAD15,600,000 by phase. Up to 31 December 2008, the Debentures in the principal amount of CAD11,500,000 had been issued to a wholly owned subsidiary company of the Group. The remaining Debentures will be issued in March 2009.

The Debentures will mature in October 2009 (the "Maturity Date"). Upon maturity, if Wex is unable to make payment, the maturity date may be extended for two years at Wex's option.

The principal amount of the Debentures is convertible into the restricted voting shares of Wex (the "Restricted Shares") at the Group's option on and after the Maturity Date, upon default or in the event that an offer for effective control of Wex is received.

The Debentures bear 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 to be issued in payment of the interest will be issued at an issue price equal to the volume weighted average trading price ("VWAP") of such shares on TSX for each trading day over the six-month period prior to the date that interest payment is due, less a discount of 30% (the "Discounted Market Price").

The Restricted Shares to be issued upon conversion on or after the Maturity Date are to be issued at an issue price equal to the Discounted Market Price of such shares in the event of conversion on the Maturity Date and for conversion in all other cases at an issue price equal to VWAP of such shares on the TSX over the last five trading days prior to the conversion date. The issue price of the Restricted Shares to be issued pursuant to the interest payment provisions or the conversion provisions in the Debentures may not be higher than CAD1.75 or less than CAD0.05 per common share.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Equity security – listed overseas at quoted price	**59,242**	–
Equity security – unlisted, at cost	**150,101**	150,101
	209,343	150,101

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 each balance sheet date 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.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK$'000	2007 HK$'000
Equity securities held for trading – listed in Hong Kong at quoted price	**4,645**	12,680
Equity securities held for trading – listed overseas at quoted price	**11,726**	42,424
Debt security held for trading – listed in Hong Kong at quoted price	**122,980**	–
Debt securities – unlisted	**58,430**	323,230
	197,781	378,334
Carrying amount analysed for reporting purpose as:		
Non-current	**58,430**	323,230
Current	**139,351**	55,104

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 equity prices or other market indices.

22. DEBT INVESTMENT

The investment represents the Group's sub-participation right in certain financial instrument issued by a financial institution with principal of approximately HK$61,152,000 as at 31 December 2008. The amount carries interest at prevailing market rate with maturity date in September 2009.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	HK$'000	HK$'000
Assets		
Derivative financial instruments		
(deemed as held for trading) at fair value:		
Interest rate swap	**803**	13,171
Credit default swap	**–**	2,503
Convertible debentures issued by an associate		
– embedded derivative portion (note 19)	**14,977**	2,754
	15,780	18,428

	2008	2007
	HK$'000	HK$'000
Liabilities		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swap	**(99,398)**	(44,033)
Credit default swap	**–**	(11,856)
	(99,398)	(55,889)

The above financial instruments are measured at fair value at each balance sheet date.

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, index or equity prices which include 30 year and 2 year Constant Maturity Swap rate, share prices of Hong Kong listed shares, 30 year and 10 year U.S. Dollar Swaps 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 balance sheet date.

The fair value of the embedded derivative portion of the convertible debentures is valuated by an independent professional valuer.

24. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**201,814**	172,047
Work in progress	**94,257**	89,305
Finished goods	**167,640**	121,489
	463,711	382,841

The cost of inventories recognised as an expense during the year was HK$2,084,217,000 (2007: HK$1,355,539,000).

25. RECEIVABLES AND PREPAYMENTS

	2008 HK$'000	2007 HK$'000
		(Restated)
Trade receivables	**510,547**	527,349
Less: provision for impairment	**(34,655)**	(24,709)
	475,892	502,640
Other receivables	**92,744**	113,208
Loans and receivables	**568,636**	615,848
Deposit and prepayments	**46,559**	51,677
	615,195	667,525

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

25. RECEIVABLES AND PREPAYMENTS (CONT'D)

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

	2008 HK$'000	2007 HK$'000
Current	**255,114**	211,287
Less than 90 days past due	**164,336**	259,911
Over 90 days past due	**56,442**	31,442
	220,778	291,353
	475,892	502,640

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:

	2008 HK$'000	2007 HK$'000
At 1 January	**24,709**	25,348
Impairment loss recognised	**27,436**	5,414
Recovery	**–**	(4,802)
Uncollectible amounts written off	**(15,704)**	(14,264)
Arising from acquisition of subsidiaries	**–**	13,484
Exchange difference	**(1,786)**	(471)
At 31 December	**34,655**	24,709

Included in the other receivables is an amount of HK$27,222,000 (2007: 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

Deposits with financial institutions carry an average interest rate of 2.65% (2007: 5.02%).

27. CASH AND CASH EQUIVALENTS

	2008 HK$'000	2007 HK$'000
Bank balances and deposits (note (a))	**303,554**	766,891
Bank overdrafts (note (b))	**(7,445)**	(13,391)
	296,109	753,500

Notes:

(a) Balance balances and deposits carry an average interest rate of 2.82% (2007: 3.92%).

(b) Bank overdrafts are secured by a charge over the assets of a subsidiary and carry interest with reference to the Banker's Acceptance Rate plus a stamping fee of 0.75% (2007: Banker's Acceptance Rate plus a stamping fee of 0.525%).

28. PAYABLES AND ACCRUALS

	2008 HK$'000	2007 HK$'000
Trade payables	**259,290**	276,306
Other payables and accrued charges	**329,705**	395,956
Financial liabilities measured at amortised cost	**588,995**	672,262

The ageing analysis of trade payables is as follows:

	2008 HK$'000	2007 HK$'000
Due within 90 days or on demand	**222,692**	256,363
Due after 90 days	**36,598**	19,943

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

29. BANK LOANS

	2008 HK$'000	2007 HK$'000
Bank loans repayable		
within 1 year	–	125,901
1 to 2 years	–	141,693
2 to 5 years	**1,045,675**	568,853
	1,045,675	836,447
Analysed as:		
Secured	**101,875**	125,901
Unsecured	**943,800**	710,546
	1,045,675	836,447
Carrying amount analysed for reporting purpose as:		
Current	–	125,901
Non-current	**1,045,675**	710,546

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

	2008 HK$'000	2007 HK$'000
Australian dollars (note (a))	–	710,546
Canadian dollars (note (b))	**101,875**	125,901
United state dollars (note(c))	**943,800**	–
	1,045,675	836,447

Notes:

(a) The bank loans in the prior year were unsecured and bore a floating interest with reference to the Bill Swap Reference Rate (Bid) plus 0.45%. The loans were fully repaid in the current year.

(b) 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%. The loan is for a period of three years from May 2008 to May 2011.

(c) The bank loan is unsecured and bears a floating interest with reference to the LIBOR plus a margin of 0.75%. 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 their fair value.

30. FINANCE LEASE OBLIGATIONS

	Minimum leases payment		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance leases obligations payable				
within one year	**623**	1,019	**494**	752
within two to five year	**1,214**	853	**1,108**	937
	1,837	1,872	**1,602**	1,689
Less: Future finance charges	**(235)**	(183)	**N/A**	N/A
Present value of finance leases obligations	**1,602**	1,689	**1,602**	1,689
Carrying amount analysed for reporting purpose as:				
Current			**494**	752
Non-current			**1,108**	937

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% with effective from April 2005 except for an amount of HK$2,310,000 which is interest free, and matures on 31 December 2025. The loan was interest free prior to April 2005.

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

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$'000 (Restated)	Intangible assets HK$'000 (Restated)	Loan from a minority shareholder HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000 (Restated)
The Group						
As at 1 January 2007	38,729	176,426	3,855	(101,614)	(35,349)	82,047
Acquisition of a subsidiary	(16,195)	37,048	–	–	(28,863)	(8,010)
Charge/(credit) to income statement	(8,018)	37,180	(149)	(62,088)	(47,690)	(80,765)
Exchange difference	(400)	991	893	4,292	732	6,508
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 income statement	**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 31 December 2008	**21,490**	**268,677**	**3,301**	**(129,380)**	**(153,277)**	**10,811**

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

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

	2008 HK$'000	2007 HK$'000 (Restated)
Deferred tax liabilities	**29,887**	50,052
Deferred tax assets	**(19,076)**	(50,272)
	10,811	(220)

32. DEFERRED TAXATION (CONT'D)

At the balance sheet date, the total un-utilised tax losses amounted to approximately HK$1,764,578,000 (2007: HK$1,578,492,000). A deferred tax asset has been recognised in respect of HK$511,029,000 (2007: HK$585,117,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,253,549,000 (2007: HK$993,375,000) 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$7,971,000 (2007: HK$34,639,000) arising in Mainland China can only be carried forward for 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 2007, 31 December 2007 and 31 December 2008	9,611,073	961,107

34. SHARE OPTION SCHEME

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

As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,285,769 (2007: 14,544,109) shares, representing 0.13% (2007: 0.15%) 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)

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

Year 2007

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

34. SHARE OPTION SCHEME (CONT'D)

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.

35. PLEDGE OF ASSETS

Bank loan of HK$101,875,000 (2007: HK$125,901,000) and overdraft of HK$7,445,000 (2007: HK$13,391,000) 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$160,116,000 (2007: HK$210,259,000) as at 31 December 2008.

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 three years. Minimum lease charges payable by the Group within one year and second to fifth years under non-cancellable operating leases in respect of rented premises were HK$30,979,000 (2007: HK$33,561,000) and HK$61,206,000 (2007: HK$30,031,000) respectively.

37. CAPITAL COMMITMENT

	2008 **HK$'000**	2007 HK$'000
Capital commitment in respect of the acquisition of laboratory instruments, plant and equipment – contracted but not provided for	**4,878**	1,913

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 20% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$22,719,000 (2007: HK$18,497,000) and forfeited contribution during the year of HK$2,966,000 (2007: HK$2,613,000) 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 2008 were as follows:

Name of Director	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Retirement benefits scheme contributions HK$'000	**Total emoluments 2008 HK$'000**	Total emoluments 2007 HK$'000
Li Tzar Kuoi, Victor	75	–	–	–	**75**	75
Kam Hing Lam	75	1,350	–	–	**1,425**	2,175
Ip Tak Chuen, Edmond	75	–	–	–	**75**	675
Yu Ying Choi, Alan Abel	75	5,832	1,300	576	**7,783**	7,400
Chu Kee Hung	75	4,308	1,000	424	**5,807**	5,499
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	11,490	2,300	1,000	**15,755**	16,414

The directors' fees included an amount of HK$75,000 (2007: HK$75,000) for each director and an additional amount of HK$80,000 (2007: HK$80,000) and HK$25,000 (2007: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 2008. 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 (2007: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2007: three) are as follows:

	2008 **HK$'000**	2007 HK$'000
Salary and other benefits	**10,664**	11,584
Bonus	**7,760**	3,648
Retirement benefits scheme contributions	**542**	648
	18,966	15,880

Their emoluments were within the following bands:

	2008 **Number of** **Employees** **HK$'000**	2007 Number of employees HK$'000
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**1**	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 AND DISPOSAL OF SUBSIDIARIES

(a) 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

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 the year contributed HK$432,378,000 to the Group's turnover and a contribution of HK$49,359,000 to the profit attributable to equity holders of the Company.

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

(b) Acquisition of Lipa

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

	Lipa's carrying amount before combination HK$'000	Provisional fair value adjustment HK$'000	Provisional fair values as previously stated HK$'000	Prior year adjustments upon completion of initial accounting HK$'000 (Note 5(b))	Adjusted fair value HK$'000
Net assets acquired:					
Property, plant and equipment	310,278	(78,867)	231,411	–	231,411
Intangible assets – customer relationship	–	123,495	123,495	–	123,495
Deferred taxation	45,058	–	45,058	(37,048)	8,010
Inventories	63,687	–	63,687	–	63,687
Receivables and prepayments	143,162	–	143,162	–	143,162
Bank balances and cash	16,293	–	16,293	–	16,293
Taxation	(5,974)	–	(5,974)	–	(5,974)
Payables and accruals	(238,515)	–	(238,515)	–	(238,515)
Finance lease obligation	(70,018)	–	(70,018)	–	(70,018)
	263,971	44,628	308,599	(37,048)	271,551
Goodwill on acquisition			336,282	37,048	373,330
Total consideration			644,881	–	644,881
Net cash outflow arising from acquisition:					
Cash payment (including acquisition cost)					644,881
Bank balances and cash acquired					(16,293)
					628,588

In November 2007, the Group acquired the entire issued share capital of Lipa for a total consideration of HK$644,881,000 which comprises direct attributable acquisition cost of HK$18,788,000 and purchase consideration of HK$626,093,000. Goodwill arising from the acquisition amounted to HK$373,330,000 which is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

The subsidiary acquired during 2007 contributed HK$75,605,000 to the Group's turnover and a contribution of HK$6,310,000 to the profit attributable to equity holders of the Company in that year.

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

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

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

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

In June 2007, the Group disposed of its 64.51% equity interests in Nanjing GU at a consideration of RMB15,223,000 (approximately HK$15,528,000). After the disposal, the Group ceased to have any interest in Nanjing GU.

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

41. SEGMENT INFORMATION

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

(a) Business segments

	Environment		Health		Investment		Unallocated		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment turnover	**1,016,872**	510,948	**1,961,166**	1,487,959	**13,759**	92,685	**–**	–	**2,991,797**	2,091,592
Segment results	**99,925**	20,743	**90,658**	23,669	**(315,700)**	131,766	**–**	–	**(125,117)**	176,178
Business development expenditure	**–**	–	**–**	–	**–**	–	**(22,328)**	(32,514)	**(22,328)**	(32,514)
Research and development expenditure	**–**	–	**–**	–	**–**	–	**(32,191)**	(27,053)	**(32,191)**	(27,053)
Corporate expenses	**–**	–	**–**	–	**–**	–	**(57,627)**	(48,689)	**(57,627)**	(48,689)
Revaluation deficit on building	**–**	–	**–**	–	**–**	–	**(11,420)**	–	**(11,420)**	–
Gain on disposal of associates	**–**	2,712	**–**	–	**–**	–	**–**	–	**–**	2,712
Gain on disposal of a subsidiary	**–**	2,100	**–**	–	**–**	–	**–**	–	**–**	2,100
Finance costs	**–**	–	**–**	–	**–**	–	**(66,982)**	(34,232)	**(66,982)**	(34,232)
Share of results of associates	**(2,394)**	(4,242)	**(7,484)**	(1,268)	**–**	–	**–**	–	**(9,878)**	(5,510)
(Loss)/profit before taxation									**(325,543)**	32,992
Taxation									**(27,540)**	82,319
(Loss)/profit for the year									**(353,083)**	115,311

41. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Environment		Health		Investment		Unallocated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)						(Restated)
Segment assets	**742,394**	589,320	**4,417,873**	4,777,530	**468,140**	546,354	**–**	–	**5,628,407**	5,913,204
Interests in associates	**22,144**	21,360	**22,328**	37,804	**–**	–	**–**	–	**44,472**	59,164
Convertible debentures issued by an associate	**–**	–	**73,862**	27,649	**–**	–	**–**	–	**73,862**	27,649
Bank balances and deposits									**303,554**	766,891
Other assets									**153,431**	173,077
Total assets									**6,203,726**	6,939,985
Segment liabilities	**(160,004)**	(146,942)	**(336,287)**	(437,239)	**(256,845)**	(213,154)	**–**	–	**(753,136)**	(797,335)
Other liabilities									**(1,065,718)**	(875,918)
Total liabilities									**(1,818,854)**	(1,673,253)
Other information										
Amortisation of intangible assets	**6,927**	4,114	**39,188**	29,157	**–**	–	**4,297**	3,867	**50,412**	37,138
Depreciation	**11,272**	9,274	**34,309**	24,366	**–**	–	**14,549**	9,651	**60,130**	43,291
Impairment of available-for-sale investments	**–**	–	**–**	–	**27,104**	–	**–**	–	**27,104**	–
Capital additions	**174,214**	21,050	**62,422**	921,153	**–**	–	**871**	2,673	**237,507**	944,876
Allowances for bad debts	**1,201**	215	**26,235**	5,199	**–**	–	**–**	–	**27,436**	5,414
Inventories written off	**732**	43	**767**	4,667	**–**	–	**–**	–	**1,499**	4,710

41. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

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

	Turnover		Segment assets		Capital additions	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Asia	**103,205**	75,290	**574,076**	671,547	**17,216**	36,567
Australia	**1,529,104**	543,976	**1,375,229**	1,466,545	**180,703**	743,609
Europe	**5,346**	80,581	**251,627**	566,544	**–**	–
North America	**1,354,142**	1,391,745	**3,427,475**	3,208,568	**39,588**	164,700
	2,991,797	2,091,592	**5,628,407**	5,913,204	**237,507**	944,876

42. RELATED PARTY TRANSACTIONS

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

(a) The Group made sales of HK$20,479,000 (2007: HK$23,249,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

(b) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a minority shareholder of a non-wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK$15,395,000 (2007: HK$15,117,000). Included in receivables and prepayments as at 31 December 2007 was prepaid rental amounted to HK$965,000 to Leknarf.

(c) The Group made sales of HK$2,533,000 to group companies of Nanjing Red Sun Stock Co. Ltd ("Red Sun") in 2007. Red Sun is the substantial shareholder of Nanjing GU, which was a subsidiary of the Group before the disposal as detailed in note 40(c).

43. COMPARATIVE FIGURES

Due to certain restatements made during the year as explained in notes 2 and 5, the accounting treatment and/or presentation of certain items and balances in the financial statements have been revised to comply with the new requirements and/or presentation. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 102 to 162 were approved and authorised for issue by the Board of Directors on 16 March 2009.

PRINCIPAL SUBSIDIARIES

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
				2008	2007	
	Accensi Pty Ltd	Australia	AU$100	**100**	–	Manufacturing and marketing of plant protection products and soluble fertilisers
	Ample Castle Limited	British Virgin Islands	US$1	**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
	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
@	Envirogreen Pty Limited	Australia	AUD$2	**100**	100	Manufacturing and distribution of horticultural products for the home gardening market
	Fertico Pty Ltd	Australia	AU$4,000,100	**100**	100	Blending and distribution of fertiliser
	Grandopen Limited	British Virgin Islands	US$1	**100**	–	Investment in financial instruments
	Genero International Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	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

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 2008	2007	Principal activities
	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
	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
	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
Δ	Vitaquest International Holdings LLC	USA	N/A	**80**	80	Supplying and manufacturing of nutritional supplements
	Wonder Earn Investments Limited	British Virgin Islands	US$1	**100**	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
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
Dimac Limited	America
Grandopen Limited	America
Genero International Limited	Europe
Great Ample Group Limited	Europe
Lincore Limited	Europe
Panform Limited	Europe
Proven Leader Limited	America
Smart Court Investments Limited	Europe
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.

@ Subsequent to balance sheet date, Envirogreen Pty Limited changed its name to Amgrow Pty Limited in February 2009.

PRINCIPAL ASSOCIATES

APPENDIX II

PRINCIPAL ASSOCIATES

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

	Name	Effective percentage of capital held by the Company indirectly		Principal activities	Place of operation
		2008	2007		
#	Jiangsu Technology Union Eco-fertilizer Limited	**25.00**	25.00	Trading of biotechnology products	Mainland China
	Wex Pharmaceuticals Inc.	**27.15**	27.15	Discovery, development, manufacturing and commercialisation of innovative drug products to treat pain	Canada

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

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Eirene YEUNG

QUALIFIED ACCOUNTANT

MO Yiu Leung, Jerry

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

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

REGISTERED OFFICE

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Grand Cayman
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PRINCIPAL PLACE OF BUSINESS

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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

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Bloomberg: 775 HK
Reuters: 0775.HK

WEBSITE

http://www.ck-lifesciences.com

KEY DATES

Annual Results Announcement	16 March 2009
Closure of Register of Members	11 to 18 May 2009 *(both days inclusive)*
Annual General Meeting	18 May 2009

This annual report 2008 ("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 Rooms 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at 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 annual reports, summary financial reports (where applicable), interim reports, summary interim reports (where applicable), notices of meetings, listing documents, circulars and proxy forms) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report.

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 or by email at 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 or sending a notice to cklife.ecom@computershare.com.hk to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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