CK Life Sciences Int'l., (Holdings) Inc.
長江生命科技集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 0775)

Healthy Living

annual report 2010

CK LIFE SCIENCES

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 health and agriculture-related 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.

CONTENTS

GLOBAL BUSINESS SCOPE

CHALLENGER WINE TRUST
Australia
Vineyard business

ECOFERTILISER GROUP
Australia
Eco-fertiliser businesses

ACCENSI
Australia
Toll manufacturing of crop protection products

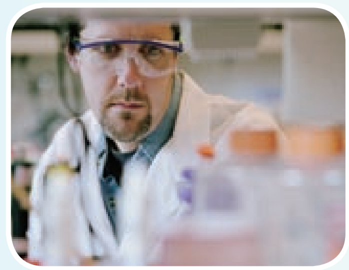
AGRICULTURE - RELATED BUSINESS

CK LIFE SCIENCES

LIPA
Australia
Custom contract manufacturing

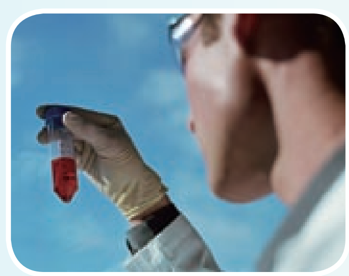
GREEN VISION
China
Fertiliser business

PHARMACEUTICAL BUSINESS



POLYNOMA
United States
Melanoma vaccine research

LIFE SCIENCES RESEARCH INSTITUTE
Hong Kong
Cancer treatment R&D



WEX PHARMA
Canada
Pain management product research

NUTRACEUTICAL BUSINESS

VITAQUEST
United States
Custom contract manufacturing

SANTÉ NATURELLE A.G.
Canada
Marketing and distribution of nutraceuticals

CHAIRMAN'S STATEMENT

For the year ended 31 December 2010, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved a steady operational performance and recorded encouraging results. Profit attributable to shareholders of the Company increased by 11% to HK$209 million as compared to last year.

The Board of Directors has recommended a final dividend of HK$0.005 per share for the year ended 31 December 2010. The proposed dividend will be paid on 24 May 2011 following approval at the 2011 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company on 19 May 2011.

STEADY OPERATIONAL PERFORMANCE IN 2010

Good Growth in Agriculture-Related Business

CK Life Sciences' agriculture-related business improved turnover by 18% to HK$865 million as compared with the previous year.

In Australia, commodity prices gradually recovered in 2010 after sharply declining from the previous year's peak in 2009. This trend of improved pricing and a break in the drought encouraged customers to replenish inventory with more confidence. Wetter growing conditions stimulated demand for both plant nutrition and protection products.

The stronger exchange rate of the Australian dollar had a positive impact on results when translated into Hong Kong dollars.

Nutraceutical Business Achieved Steady Performance

In 2010, the Company's nutraceutical business reported turnover of HK$1,820 million, a 6% decline from last year.

A business unit within Vitaquest International Holdings LLC ("Vitaquest") in the United States was divested in 2009. If the turnover of this divestment were excluded, the turnover in 2010 would have reported an improvement of 3% over that of 2009.

The nutraceutical portfolio comprising Santé Naturelle A.G. Ltée in Canada, Vitaquest in the United States and Lipa Pharmaceuticals Limited ("Lipa") in Australia progressed well during the year.

Both Vitaquest and Lipa upgraded their facilities to improve service to customers.

Vitaquest has installed new automated powder production facilities to enhance its capability to produce custom proteins and specialty nutraceutical powders. Vitaquest has also added new testing facilities to better serve international markets, especially for the testing of genetically modified ingredients.

Lipa has introduced a new integrated bottle-filling line. Packing capacities and efficiencies have been substantially improved.

SIGNIFICANT ACQUISITION TO DRIVE GROWTH

In November 2010, the Company entered into agreements to acquire approximately 72% of Challenger Wine Trust ("CWT") for a consideration of approximately A$33.08 million (approximately HK$260 million). CWT is a trust and a registered managed investment scheme with vineyards and related infrastructure assets in Australia and New Zealand. Representing the second largest vineyard owner in Australasia, CWT has a portfolio of over 5,000 hectares of land, comprising 20 vineyards, two wineries and various water entitlements in Australia and New Zealand.

The acquisition of CWT was completed in February 2011, and units of CWT have been subsequently delisted from the Australian Securities Exchange. This landmark acquisition marks a strong addition to the Company's portfolio of agriculture-related investments and will provide immediate cashflow to CK Life Sciences.

CONTINUED R&D DEVELOPMENTS

CK Life Sciences' R&D initiatives continued to make progress in 2010.

In the United States, cancer immunotherapy research continued. The therapeutic vaccine for the treatment of melanoma is under development and continued headway has been made in preparation for the filing of an Investigational New Drug application with the United States Food and Drug Administration to commence a Phase III clinical trial. The manufacturing of clinical trial materials is progressing well.

For the Company's tetrodotoxin (TTX)-based cancer pain management product, a Phase III clinical trial is well under way in Canada. Steady patient enrolment was reported in the year under review.

STRONG BALANCE SHEET

At the end of December 2010, our cash and marketable securities amounted to HK$1.4 billion with a gearing ratio of 6%. The marketable securities include a stake in Ruinian International Limited, a company listed on The Stock Exchange of Hong Kong Limited. The current valuation of this investment is well above its purchase cost.

PROSPECTS

CK Life Sciences is optimistic about future prospects.

With the positive outlook of key markets and industries, steady organic growth of existing operations is expected to continue. Our recent acquisition of CWT is poised to significantly boost earnings of our agriculture-related business in Australia.

In addition, the Company will seek new acquisition opportunities that will further propel the growth momentum. Projects in both the health and agriculture-related industries are currently being studied.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 28 February 2011

AGRICULTURE – RELATED BUSINESS

CK Life Sciences' agriculture-related businesses achieved solid progress and sound performance in 2010. The portfolio was further enhanced by the recent acquisition of the second largest vineyard owner in Australasia.

CHALLENGER WINE TRUST

During the year under review, the Company acquired Challenger Wine Trust ("CWT"), the second largest vineyard owner in Australasia, further strengthening its agriculture-related business. The acquisition was completed in February 2011 and marked CK Life Sciences' first expansion into the vineyard industry.

CWT is a trust and a registered managed investment scheme with vineyards and infrastructure assets in Australia and New Zealand.

With over 5,000 hectares of land, CWT's portfolio comprises 20 vineyards, two wineries and various water entitlements in Australia and New Zealand. The vineyards are mostly leased to well-established wine industry operators, including Treasury Wine Estates (formerly Foster's Group), Pernod Ricard Pacific, Australian Vintage Ltd and Delegat's Group, the owner of the *Oyster Bay* brand in New Zealand. All of CWT's vineyards are occupied by long-term tenants.

With an attractive asset portfolio and a solid tenant base, CWT's vineyard assets provide immediate and recurring cashflow to CK Life Sciences.

CK Life Sciences acquired Challenger Wine Trust, the second largest vineyard owner in Australasia, further strengthening its agriculture-related business.

Green Vision is focused on developing crop-friendly eco-fertilisers.

GREEN VISION

Consolidated under Nanjing Green Vision Eco-technology Limited ("Green Vision"), CK Life Sciences' agriculture-related businesses in Mainland China are innovators in the country's fertiliser market.

Specialising in formulating, manufacturing and marketing environmentally-friendly agricultural input solutions, Green Vision is focused on developing crop-friendly eco-fertilisers that significantly outperform traditional products. The adoption of Green Vision's eco-solutions results in a win-win situation for farmers, decreasing the use of traditional chemical fertilisers, as well as improving output performance and competitiveness.

Green Vision markets its products in the Mainland's key agricultural provinces, including Guangdong, Guangxi, Jiangsu, Anhui, Zhejiang and Shandong.

The expansion of chemical-organic-microbial nutrient "3-in-1" technology products to more provinces has resulted in decreased chemical input, improved food safety and quality, as well as reduced agricultural surface pollution.

The Company also exports a number of cutting-edge fertiliser products to the United States, Australia and several countries in Asia, for the production of rice, oil palm, sugarcane and horticultural crops as a substitute for chemical input. The chemical-organic-microbial nutrients "3-in-1" product has also been introduced to South Korea, Japan and Malaysia through organised field trials.

ECOFERTILISER GROUP

CK Life Sciences' eco-fertiliser businesses in Australia operate under Ecofertiliser Pty Ltd ("Ecofertiliser Group"). This group of companies has collectively served the Australian agriculture and horticulture markets for over a hundred years.

The Ecofertiliser Group constitutes the following brands: *Nuturf*, *Amgrow*, *Paton Fertilizers*, *Fertico* and *NutriSmart*. Through these brands, CK Life Sciences' is the owner of Australia's largest supplier of turf management products and services, as well as the second largest supplier of Australia's home garden products industry.

Engaged in production, distribution, sales and national technical support services, the Ecofertiliser Group's distribution network encompasses the whole of Australia, while manufacturing facilities are located in South Australia and Queensland.

With the aim of providing growing industries with effective and sustainable solutions, the Ecofertiliser Group's key markets comprise recreational turf, amenity horticulture, production horticulture, broadacre agriculture and home garden.

The operations of the Ecofertiliser Group will continue to be consolidated in order to achieve cost savings and synergies. Meanwhile, the Ecofertiliser Group has dedicated efforts to strengthening their respective businesses in the Australian market and extending its reach into new market segments.

ACCENSI

As the leading independent toll manufacturer of crop protection products in Australia, Accensi Pty Ltd ("Accensi") manufactures a wide range of products for both local and multinational chemical companies. With production facilities located in Western Australia and Queensland, Accensi's key area of expertise is toll manufacturing. The company also provides services in technical formulation development, storage and distribution.

Accensi's well-equipped laboratories are capable of producing a variety of liquid crop protection products, including emulsifiable concentrates, suspension concentrates, aqueous solutions, coated granules and powders, as well as amination-based reactions such as glyphosate and phenoxies.

Accensi adheres to the highest standards in all aspects of its business. Holding ISO 9001 Quality Management and ISO 14001 Environmental Management Accreditations, Accensi also complies with the strict requirements of the Australian Pesticides and Veterinary Medicines Authority.

Accensi's R&D offers formulation development and analytical services utilising a large range of traditional and modern technologies in developing agricultural and horticultural products.

The expansion of storage capacity and reconfiguration of Accensi's manufacturing facilities in Queensland have resulted in better costs and higher operational efficiency, as well as minimised need for outside storage.

The Ecofertiliser Group's key markets comprise recreational turf, amenity horticulture, production horticulture, broadacre agriculture and home garden.

NUTRACEUTICAL BUSINESS

During the year, a stable performance was achieved by CK Life Sciences' nutraceutical business. With a global presence spanning North America, Australia and Asia, the Company's health products portfolio generated steady sales and satisfactory returns.

SANTÉ NATURELLE A.G.

CK Life Sciences acquired Santé Naturelle A.G. Ltée ("Santé Naturelle") in 2005.

Synonymous with exceptional quality, Santé Naturelle has earned a reputation as the leading natural health company in Québec, Canada. Founded in 1946 by renowned naturopathy expert, Mr. Adrien Gagnon, Santé Naturelle is one of Canada's most well-established and largest natural health companies. The company has repeatedly set the bar in Québec for superior health products under the *Adrien Gagnon* brand in terms of value, selection and brand recognition.

With over 150 products available, Santé Naturelle is dedicated to providing natural source vitamins, minerals and herbal supplements that are wholesome, reliable and effective. Over the past 60 years or so, *Adrien Gagnon* has become Québec's bestselling line of science-based nutraceuticals. One out of every two bottles of glucosamine purchased in the province is branded *Adrien Gagnon*.

Santé Naturelle's ongoing commitment to upholding rigorous standards of product quality is a cornerstone of the company's operating philosophy. All of the products developed by Santé Naturelle meet or exceed the standards set by Health Canada for purity and concentration, while manufacturing processes strictly adhere to Health Canada's Good Manufacturing Practice.

Synonymous with exceptional quality, Santé Naturelle has earned a reputation as the leading natural health company in Québec, Canada.

Vitaquest is a trusted industry leader in custom contract manufacturing and health supplement distribution in the United States.

CK Life Sciences launched *Adrien Gagnon* in Hong Kong under the brand, *A.G. Natural Health*, to cater to the local market in 2006. Currently, *A.G. Natural Health* is also available for sale in a number of countries in Europe, the Middle East and Africa. The Company plans to extend *A.G. Natural Health* to other new markets to capture increasing international demand for natural health solutions.

VITAQUEST

CK Life Sciences acquired Vitaquest International Holdings LLC ("Vitaquest") in 2006 to further enhance the Company's nutraceutical portfolio.

With a reputation for commitment to product quality and customer satisfaction, Vitaquest has become a trusted industry leader in custom contract manufacturing and health supplement distribution in the United States. Since 1975, Vitaquest has produced quality health supplements for its varied client base, comprising many of the industry's largest and most highly regarded names in multi-level marketing and nutritional product distribution.

The company's versatile manufacturing capability comprises a wide selection of product formats, including tablets, capsules, powders, liquids, creams and lotions. In addition to manufacturing high-grade health supplements, Vitaquest also offers assistance with product concept and development, formulation, package and label design, regulatory compliance, marketing and distribution.

Operating out of its headquarters in New Jersey, USA, Vitaquest manages its state-of-the-art facilities under the meticulous Good Manufacturing Practice requirements for products marketed globally, including the United States, Canada and Latin America.

With expanded products and quality testing capabilities, Vitaquest is committed to addressing the needs of North American brand owners, distributors and consumers. On top of Vitaquest's technical advantages in the development of its supplements, weight management and diet products, it is also focusing on cutting-edge delivery and manufacturing technologies, including time-release formulations and high-speed filling. Vitaquest's flexible capabilities, combined with three decades of experience in quality manufacturing, will allow it to adapt quickly to evolving market trends and tougher standards of quality.

LIPA

CK Life Sciences expanded into the Australian nutraceutical market through the acquisition and privatization of Lipa Pharmaceuticals Limited ("Lipa") in 2007.

Supplying over 30% of the Australian market, Lipa is the country's leading contract manufacturer of complementary healthcare medicines, vitamins and nutritional supplements. Lipa also produces a range of non-sterile prescription and over-the-counter medicines.

With customers covering most leading brands of nutritional supplements for sale in Australia, New Zealand and a number of select Asian markets, Lipa adheres to a code of ethics and practices that embraces the highest standards of testing, manufacturing, cleanliness and efficiency. The company aims to uphold its solid market position by building on the core values of exceptional quality, customer service and client satisfaction.

Headquartered in Western Sydney, Lipa has experienced substantial growth since its inception in 1995. The company's world class manufacturing facility employs more than 350 staff and maintains a strict quality assurance process, based on the requirements of the Australian Code of Good Manufacturing Practice for Medicinal Products. Lipa's manufacturing capability spans a wide range of product formats, including tablets, 2-piece hard-shells, powders, liquids, creams and soft gelatin capsules.

With an impressive library of research papers at its disposal, Lipa is able to substantiate label claims across a broad spectrum of actives and conditions. The professional service allows Lipa to have a substantial impact on market penetration, specifically in the therapeutic areas of joint health, cardiovascular health and antioxidants.

Vitaquest's versatile manufacturing capability comprises a wide selection of product formats, including tablets, capsules, powders, liquids, creams and lotions.

Supplying over 30% of the Australian market, Lipa is the country's leading contract manufacturer of complementary healthcare medicines, vitamins and nutritional supplements.

PHARMACEUTICAL BUSINESS

The Life Sciences Research Institute carries out the Company's pharmaceutical R&D initiatives. Headquartered in Hong Kong, with operations in North America and Hong Kong, the Life Sciences Research Institute actively seeks partnership opportunities with academic institutions and biopharmaceutical companies to advance its pharmaceutical pipeline. It also explores out-licensing possibilities and identifies potential partners for co-development. Two pharmaceutical inventions are progressing steadily in late-stage clinical development.

CANCER IMMUNOTHERAPY

The Life Sciences Research Institute is making progress in cancer immunotherapy through CK Life Sciences' subsidiary in the United States, Polynoma LLC ("Polynoma"). Polynoma is a biotechnology company focused on cancer immunotherapeutics, and is currently developing a therapeutic vaccine for the treatment of melanoma.

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.

Using a combination of antigens from three proprietary melanoma cell lines, Polynoma's POL-103A vaccine stimulates the body's immune system to fight cancer cells. A Phase II randomized, double-blind, placebo-controlled study has demonstrated that there was a statistically significant improvement in recurrence-free survival in patients with resected Stage III melanoma treated with the vaccine.

Using a combination of antigens from three proprietary melanoma cell lines, Polynoma's POL-103A vaccine stimulates the body's immune system to fight cancer cells.

WEX Pharma's lead product based on TTX is being developed as a medication to provide relief for various chronic pain conditions.

Continued headway has been made in the preparation for the filing of an Investigational New Drug (IND) application with the United States Food and Drug Administration (FDA), which will enable the commencement of a Phase III clinical trial. Polynoma is currently engaged in discussions with the FDA on a Special Protocol Assessment (SPA) for the Phase III clinical trial. Manufacturing of clinical trial materials is progressing well.

Upon successful completion of the clinical trial, Polynoma intends to seek registration of the vaccine in the United States, Australia and other countries where melanoma is prevalent. In addition to melanoma, Polynoma is also planning to evaluate the effectiveness of the vaccine in other cancer indications.

PAIN MANAGEMENT

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

The company's platform technology is built upon tetrodotoxin (TTX), a naturally-occurring sodium channel blocking compound found primarily in puffer fish. WEX Pharma's lead product based on TTX is being developed as a medication to provide relief for various chronic pain conditions. The plan is to seek worldwide registration of TTX upon successful completion of clinical trials.

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

The Phase III clinical trial saw steady patient enrollment. New clinical trial sites in Australia and New Zealand were opened in 2010 to accelerate patient enrollment.

WEX Pharma has also developed plans to evaluate TTX for chemotherapy-induced neuropathic pain and as a prolonged duration local anaesthetic.

OTHER PROJECTS

The Life Sciences Research Institute continues its research into targeted therapies for cancer. It currently has drug discovery collaborations with the Sun Yat-Sen University in Guangzhou, China, and the China Pharmaceutical University in Nanjing, China.

In 2010, a new joint venture, Renascence Therapeutics, was also established to develop intranasal medications focused primarily on the China market.

The Life Sciences Research Institute carries out the Company's pharmaceutical R&D initiatives.

Two pharmaceutical inventions of the Life Sciences Research Institute are progressing steadily in late-stage clinical development.

FINANCIAL SUMMARY

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Consolidated results summary					
Turnover	2,047,622	2,091,592	2,991,797	2,678,889	**2,694,204**
Profit/(loss) attributable to shareholders of the Company	102,022	117,001	(351,768)	187,098	**208,551**

	As at 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Consolidated statement of financial position summary					
Non-current assets	4,616,436	5,009,065	4,558,080	4,863,285	**5,213,752**
Current assets	1,315,218	1,930,920	1,645,646	2,035,288	**2,174,775**
Current liabilities	(520,195)	(884,144)	(716,277)	(694,292)	**(1,702,067)**
Non-current liabilities	(449,435)	(789,109)	(1,102,577)	(1,127,713)	**(64,007)**
Total net assets	4,962,024	5,266,732	4,384,872	5,076,568	**5,622,453**
Equity attributable to shareholders of the Company	4,946,453	5,151,313	4,270,768	4,905,358	**5,511,526**
Non-controlling interests	15,571	115,419	114,104	171,210	**110,927**
Total equity	4,962,024	5,266,732	4,384,872	5,076,568	**5,622,453**

FINANCIAL REVIEW

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2010, the financial and liquidity position of the Group continued to be sound and healthy. It obtained its finances mainly from internal sources such as cash generated from business activities as well as external source such as bank borrowings.

The external financing by bank loans was mainly for the purpose of acquiring the Group's overseas businesses. As at 31 December 2010, the total bank loans amounted to HK$1,067,956,000. 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, certain overseas subsidiaries had also pledged to banks all their assets which had a carrying value of HK$194,673,000 as at 31 December 2010 for loans of HK$124,156,000. The total finance costs of the Group for the year were HK$17,421,000.

At the end of 2010, the total assets of the Group were about HK$7,388,527,000, of which bank balances and time deposits were about HK$723,998,000 and marketable securities were about HK$679,055,000. The bank interest generated for the year was HK$8,374,000. The total gain arising from the Group's investment segment for the year was HK$246,746,000.

The total net assets of the Group as at 31 December 2010 were HK$5,622,453,000 representing an increase of 11% as compared to the same reported last year. The net asset value of the Group was increased from HK$0.53 per share in 2009 to HK$0.58 per share in 2010. The gearing ratio of the Group as at 31 December 2010 was approximately 6.27%, which is calculated on the basis of the Group's net borrowings (after deducting cash and bank balances and time deposits of HK$723,998,000) over the equity attributable to shareholders 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

Except for the Group's acquisition of additional interests in certain non-wholly owned subsidiaries, there was no material acquisition/disposal during the year under review. The changes in the Group's ownership interests in such subsidiaries were disclosed in Appendix I.

Subsequent to the reporting period, in February 2011, the Group completed the acquisition of approximately 72.26% interests in Challenger Wine Trust, a listed trust investing in a portfolio of high quality and strategically located vineyards and wineries in Australia and New Zealand. The transaction constitutes a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in note 40 to the consolidated financial statements of this annual report and the circular of the Company dated 31 December 2010.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$112,888,000 in 2010.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2010, the total capital commitments by the Group amounted to HK$11,618,000 which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment.

INFORMATION ON EMPLOYEES

The total number of full-time employee of the Group was 1,168 at the end of 2010, and is 16 more than the total headcount of 1,152 at the end of 2009. The total staff costs, including directors' emoluments, amounted to approximately HK$611.1 million for the year under review, which represents an increase of 12% as compared to the previous year.

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 2010 (2009: Nil).

DIRECTORS AND KEY PERSONNEL

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 46, has been the Chairman of the Company since April 2002 and the Chairman of the Remuneration Committee of the Company since March 2005. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. He is also the Deputy Chairman of Hutchison Whampoa Limited, the Chairman of Cheung Kong Infrastructure Holdings Limited, an Executive Director of Power Assets Holdings Limited (formerly known as 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 and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is also the Honorary Consul of Barbados in Hong Kong. Mr. Victor Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, President and Chief Executive Officer of the Company. Mr. Victor Li is also a Director of certain companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Victor Li also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 64, 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, and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited). All the companies mentioned above are listed companies. He is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Kam also holds directorships in certain companies controlled by a substantial shareholder of the Company.

IP Tak Chuen, Edmond, aged 58, is the Senior Vice President and Chief Investment Officer responsible for the investment activities of the Group. He joined the Cheung Kong Group in 1993 and the Group in December 1999. He is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited, Ruinian International Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust which is listed in Hong Kong and Singapore and a Director of 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. Mr. Ip also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

YU Ying Choi, Alan Abel, aged 55, is the Vice President and Chief Operating Officer of the Company responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. Mr. Yu is also the Chairman of Wex Pharmaceuticals Inc., a listed company. He holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson.

CHU Kee Hung, aged 66, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. Dr. Chu is also a Director of Wex Pharmaceuticals Inc., a listed company. He holds a Bachelor of Science from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 20 years' experience in technology project management in the United States, Mainland China and Hong Kong.

TULLOCH, Peter Peace, aged 66, serves as the Chairman and Non-executive Director of each of Powercor Australia Limited, CitiPower Pty and ETSA Utilities. He is also a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Company in April 2002.

WONG Yue-chim, Richard, SBS, JP, aged 58, currently serves as Chair of Economics, and previously served 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 ("ICBCA"), Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and the Hong Kong Mercantile Exchange Limited ("HKMEx"). Except for ICBCA (whose shares were withdrawn from listing on 21 December 2010) and HKMEx, all the companies mentioned above are listed companies. Professor Wong is also an Independent Non-executive Director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is listed in Hong Kong. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Company in June 2002 and is the Chairman of the Audit Committee of the Company.

KWOK Eva Lee, aged 68, currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("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 of 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 70, 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.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

Hong Kong

CHAN Chin To, aged 53, is Vice President, Nutraceuticals Development, of the Company and is responsible for leading and coordinating global nutraceutical business activities. He holds a Bachelor of Surveying degree 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 50, is Agribusiness Director of the Company. He holds a Master of Science 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 19 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.

CHOY Wai Nang, aged 64, is Director, Preclinical Development, of the Company. Dr. Choy holds a Bachelor of Science degree from The Chinese University of Hong Kong; Doctor of Philosophy degree from Rutgers, The State University of New Jersey, USA; and postdoctoral fellowship at The Johns Hopkins University School of Medicine, USA. He is also a Diplomate of American Board of Toxicology. He has over 25 years of experience in new drug development gained from multinational research-based pharmaceutical corporations in the USA, including 15 years at Schering-Plough (now known as Merck) at senior level positions working on preclinical research and development, as well as worldwide regulatory registration of new drugs. He is on the editorial boards of professional and science journals, and has authored numerous publications including the book, "Genetic Toxicology and Cancer Risk Assessment". Prior to joining the Company in July 2010, he was Senior Director, Toxicology of Kosan Biosciences, USA (now known as Bristol-Myers Squibb).

FONG Mei Sun, Linda, aged 44, is Finance Director of the Company. She holds a Master of Business Administration degree in Finance and International Business from University of St. Thomas, USA and a Bachelor of Business Administration degree in Accounting from Sam Houston State University, USA. She is also a member of American Institute of Certified Public Accountants and a Certified Public Accountant of Texas State Board of Public Accountancy. With over 18 years of experience in financial management and accounting in both Hong Kong and the USA, Ms. Fong 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 56, is Legal Counsel of the Company and has been with the Company since June 2002. He holds a Master of Laws degree from University of London, UK 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 the Supreme Court of Judicature in England and Wales. He has over 25 years of legal experience and has held a number of senior positions in various major corporations, including Jardine Matheson and CEF Holdings Ltd.

KWOK Choi Mun, aged 42, 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 Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. With over 20 years of financial management and accounting experience in both Hong Kong and Australia, Mr. Kwok 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 51, is Chief Manager, Personnel & Administration, 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 University of Leicester, UK. She has over 25 years of experience in human resource management gained within the Cheung Kong Group and from multinational research-based pharmaceutical corporations, including Glaxo (now known as GlaxoSmithKline) and Schering-Plough (now known as Merck).

LIN Jian-er, aged 55, is Director, Product Development, of the Company. He holds a Doctor of Philosophy degree in Chemical Engineering from University of Michigan, USA and has over 25 years of experience in the research and development of biochemical/chemical processes and products. Dr. Lin has extensive experience in biotechnology and process optimization, scale-up and validation for agricultural, environmental, industrial and household products. He has held a number of senior positions in leading corporations in the USA, 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, USA.

MO Yiu Leung, Jerry, aged 51, is Vice President, Finance, and is responsible for all finance and IT functions of the Company. Mr. Mo holds a Bachelor of Science degree in Accounting and Data Processing from University of Leeds, UK. 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 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) UK & Hong Kong. Prior to joining the Company in October 2005, Mr. Mo was Chief Financial Officer of Fong's Industries Company Limited.

TOH Kean Meng, Melvin, aged 44, is Vice President, Pharmaceutical Development, of the Company. Dr. Toh has an MBBS medical degree from National University of Singapore and is registered with Singapore Medical Council and General Medical Council, UK. He also holds a Master of Science degree in Epidemiology from University of London, UK. Dr. Toh has over 20 years of experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the USA. Prior to joining the Company in January 2008, he was Director of Clinical Pharmacology in Oncology Development, Pfizer Global R&D, USA, 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 USA, he was Head and Medical Director of the Pfizer Clinical Research Unit at the Singapore General Hospital.

TONG BARNES Wai Che, Wendy, aged 50, 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 of Business Administration degree from The University of Hawaii at Manoa, USA 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 40, is General Manager, Vital Care Hong Kong Ltd. She holds a Master of Arts degree in International Business Management from City University of Hong Kong and a Bachelor of Social Sciences degree in China Studies from Hong Kong Baptist University. 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 at LEGO, a multinational toy manufacturing company.

YAN Wai Yin, aged 41, is Internal Audit Manager of the Company. She holds a Master of Business Administration degree from The University of Manchester, UK and a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University. She is a Certified Internal Auditor of The Institute of Internal Auditors, a member of Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. She has over 14 years of experience in auditing and finance. She has worked with Ernst & Young and a variety of listed corporations covering industries in book publishing, electronics and telecommunications. Prior to joining the Company in April 2010, she was Senior Manager, Internal Audit, of Midland Holdings Ltd., a leading and listed real estate agency.

YEUNG, Eirene, aged 50, 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 Non-executive Director of ARA Asset Management (Fortune) Limited. She 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. She is also a fellow member of The Hong Kong Institute of Directors, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Overseas

CARRIER, Louis, aged 45, is President and Chief Operating Officer of Santé Naturelle A.G. Ltée and is responsible for the Company's health supplement operations in Canada. He holds a Bachelor's degree in Business Administration from University of Sherbrooke, Canada. Mr. Carrier joined Santé Naturelle A.G. Ltée in November 2009. Prior to joining Santé Naturelle A.G. Ltée, he has held a number of senior management positions in major corporations such as Unilever, Bristol-Myers Squibb and Procter & Gamble for over 20 years.

CORBETT, Dean, aged 48, 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 Australian Institute of Company Directors and has successfully completed their Graduates Course. Mr. Corbett has over 25 years of experience in the crop protection industry, the majority of which as Managing Director of Accensi Pty Ltd (formerly A&C Chemicals Pty Ltd), latterly as CEO since 2007. Mr. Corbett is an active member of a number of industry bodies, serving as director on the boards of AgStewardship Australia and CropLife Australia.

FRANKEL, Keith, aged 46, is Chief Executive Officer and Director of Vitaquest International LLC. Mr. Frankel is responsible for the Company's health supplements contract manufacturing operations in the USA. He graduated from American University, USA 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 as well as Vice President of Marketing and Sales since 1986. A pioneer in direct marketing and electronic media, Mr. Frankel developed and directed substantial sales through a variety of distribution channels, including electronic retail, infomercial and direct to consumer. Mr. Frankel has received numerous commendations in his service to the direct selling, sports nutrition and electronic retail industries.

HUANG, Bin, aged 54, is President and Chief Executive Officer of WEX Pharmaceuticals Inc. WEX, a publicly listed company in Canada, is focused on the development and commercialization of innovative drug products, primarily for pain management. Dr. Huang received her Ph.D. in Cell Biology from University of East Anglia, UK, and her Master of Business Administration degree from University of Toronto, Canada. She has extensive senior executive management experience. Prior to joining WEX in November 2007, Dr. Huang was CEO of GeneHarbour Technologies (Hong Kong), President & Chief Executive Officer of Cytovax Biotechnologies Inc. in Canada, and Vice President of Business Development at Monsanto Canada. She was also a top-ranked biotech analyst in Canada during her time as a partner at GMP Securities.

OPACIC, Bob, aged 55, is Chief Executive Officer of Amgrow Pty Ltd. and is responsible for the Company's operations which serve the agriculture, horticulture, golf and turf as well as home garden markets in Australia. A Master of Business Administration graduate, Mr. Opacic holds a Postgraduate Diploma in Finance and a Diploma in Accounting. He is also an associate of The Institute of Chartered Secretaries and Administrators. He originally joined one of Amgrow 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. in various posts around the world.

PEJNOVIC, Dusko, aged 51, 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 Australian Institute of Management and a Board Member of Complementary Health Care Council of Australia. Mr. Pejnovic has extensive senior executive management experience in a range of large and medium-sized, local and international corporations spanning diverse fields of operational activities including pharmaceuticals, foods, confectionery, industrial FMCG, as well as B2B services.

TONG, Victor, aged 60, is Chief Financial Officer of CK Life Sciences (North America) Inc., and Executive Vice President of Vitaquest International LLC. In addition to overseeing the accounting, financial reporting and financial management functions of the Company's North American subsidiaries and associate companies, he is also responsible for integrating sales, financial and operational initiatives in Vitaquest to provide for a more streamlined and efficient organisation. Mr. Tong holds a Master of Business Administration degree from York University, Canada and a Bachelor of Business Administration degree from University of Wisconsin, USA. He was a lecturer at York University's M.B.A. program, and is qualified as a professional accountant in the province of Ontario, Canada. Prior to joining the Company, Mr. Tong spent over 18 years in investment banking in Canada, primarily with global firms such as BMO Nesbitt Burns, HSBC and Deloitte. His areas of specialization are corporate finance as well as mergers and acquisitions, serving corporate clients around the world.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Group for the year ended 31 December 2010.

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 health and agriculture-related 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 2010 are set out in the consolidated income statement on page 46.

The Directors recommend the payment of a final dividend of HK$0.005 per share which represents the total dividend for the year.

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 50.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 20.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 151 and their biographical information is set out on pages 23 to 25.

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

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 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 has any service contract with the Company or any of its subsidiaries.

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

As at 31 December 2010, the interests or short positions of the Directors and chief executives 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 2010 were as follows:

		Number of share options						
Name of Director	Date of grant	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2010	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 2010, 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 executives of the Company had, as at 31 December 2010, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

(1) Summary of the Scheme

(a) Purpose of the Scheme

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

(b) Participants of the Scheme

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

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

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

(d) Maximum entitlement of each participant

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

(e) **Time of exercise of options**

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

(f) **Payment on acceptance of option offer**

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

(g) **Basis of determining the subscription price**

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

(h) **Remaining life of the Scheme**

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

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

(2) *Details of options granted by the Company*

As at 31 December 2010, options to subscribe for an aggregate of 9,068,881 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 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2010	Option period	Subscription price per share HK$
30/9/2002	1,603,386	–	–	(51,704)	–	1,551,682	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	3,740,559	–	–	(112,400)	–	3,628,159	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	4,026,168	–	–	(137,128)	–	3,889,040	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 2010, shareholders (other than Directors or chief executives 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 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 positions of other persons 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 2010, the Company had not been notified by any persons (other than Directors or chief executives 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 health and agriculture-related 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	Deputy Chairman	(i) & (ii)
	Cheung Kong Infrastructure Holdings Limited	Chairman	(i) & (ii)
	Power Assets Holdings Limited *(formerly known as 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)
	Power Assets Holdings Limited	Executive Director	(ii)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(ii)
	Cheung Kong Infrastructure Holdings Limited	Executive Director and Deputy Chairman	(i) & (ii)
	TOM Group Limited	Non-executive Director	(ii)
	AVIC International Holding (HK) Limited	Non-executive Director	(ii)
	Excel Technology International Holdings Limited	Non-executive Director	(ii)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(ii)
	ARA Asset Management Limited	Non-executive Director	(ii)
	Ruinian International Limited	Non-executive 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 2010 under the Listing Rules:

(1) Lease Agreements

On 1 March 2005 and 5 May 2009, Vitaquest International LLC, a subsidiary of the Company, entered into lease agreements ("Lease Agreements") (as defined and more particularly described in the announcements of the Company dated 30 March 2006 (the "VQ Announcement I") and 5 May 2009 (the "VQ Announcement II", and together with VQ Announcement I, collectively referred to as the "VQ Announcements")) with Leknarf Associates, LLC ("Leknarf"), under which (i) three leases in respect of the Premises (as defined and more particularly described in the VQ Announcement I) from Leknarf or its predecessor were renewed for a term of fifteen years commencing from 1 March 2005; and (ii) a lease in respect of the Premises (as defined and more particularly described in the VQ Announcement II) from Leknarf commenced from 1 May 2009 and expires on 28 February 2020 (hereinafter collectively referred to as the "Continuing Connected Transactions I"). The rents payable for the respective lease under the Lease Agreements for each subsequent lease year shall be the rents for the prior lease year increased at the fixed rate of 2% per annum. As at the date of the VQ Announcements, the annual rentals for the leases under the Lease Agreements were approximately US$228,000 (approximately HK$1,774,000), approximately US$1,127,000 (approximately HK$8,768,000), approximately US$551,000 (approximately HK$4,287,000) and US$616,000 (approximately HK$4,804,800) respectively. The annual fixed rent and other expenses (including real estate taxes, operating expenses, utility expenses and costs of maintenance) payable during the term of the lease described in VQ Announcement II cannot exceed the relevant annual caps set out below:

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

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

During the year, the rentals paid to Leknarf for the leases under the Lease Agreements amounted to US$246,102 (HK$1,920,000), US$1,214,030 (HK$9,469,000), US$593,280 (HK$4,627,000) and US$624,212 (HK$4,869,000) respectively. The rents for the leases under the Lease Agreements have the same payment terms and are to be paid by monthly instalments in advance on the first day of each and every calendar month during the lease period. Leknarf is an associate of an individual investor, who is in turn a substantial shareholder of a non wholly-owned subsidiary of the Company. Leknarf is therefore a connected person of the Company under the Listing Rules. According to Rule 14A.41 of the Listing Rules, the Lease Agreements are subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules.

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

(2) Supply Agreements

The Existing CKH Supply Agreement and the Existing HIL Supply Agreement (both as defined and more particularly described in the circular of the Company dated 22 April 2008 (the "Supply Circular")) had expired on 31 December 2008.

On 2 April 2008, the Company entered into a New CKH Supply Agreement and a New HIL Supply Agreement (both as defined and more particularly described in the Supply Circular) with Cheung Kong Holdings, a substantial shareholder of the Company, and Hutchison International Limited ("HIL"), an associate of Cheung Kong Holdings under the Listing Rules, respectively, under which (a) the Company agreed to continue to provide and/or procure members of the Group to provide the Products (as defined in the Supply Circular) to the CKH Group and the HIL Group (both as defined in the Supply Circular) for a term of three years commencing from 1 January 2009 to 31 December 2011; (b) Cheung Kong Holdings agreed to continue to purchase and/or procure members of the CKH Group (in respect of associates of Cheung Kong Holdings which are not subsidiaries of Cheung Kong Holdings, to procure with reasonable endeavours only) to purchase the Products from the Group for use or consumption and/or for sale and distribution by the CKH Group both locally and overseas on a non-exclusive basis; and (c) HIL agreed to continue to purchase and/or procure members of the HIL Group (in respect of those members of the HIL Group in which HIL is directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of the voting power at any general meeting of such companies, to procure with reasonable endeavours only) to purchase the Products from the Group for sale and distribution by the HIL Group both locally and overseas on a non-exclusive basis. In connection with the supply of the Products by the Group to the HIL Group, relevant members of the Group may make the Sales Related Payments (as defined in the Supply Circular) to relevant members of the HIL Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or merchandising services to be rendered by the HIL Group) (all transactions mentioned above being collectively referred to as the "Continuing Connected Transactions II").

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

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

During the year, the value of the Products provided by the Group to the CKH Group pursuant to the New CKH Supply Agreement amounted to HK$25,000 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$22,524,000 and HK$3,902,000 respectively. Details of the Continuing Connected Transactions II were disclosed in the Supply Circular and the Continuing Connected Transactions II were approved by the independent shareholders of the Company at the Company's annual general meeting held on 15 May 2008.

Both the Continuing Connected Transactions I and the Continuing Connected Transactions II (collectively referred to as the "Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that for the year 2010 the Continuing Connected Transactions were 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 report the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board that the Continuing Connected Transactions for the year 2010 (i) have received the approval of the Board; (ii) have not exceeded the relevant caps set out above, if applicable; and (iii) 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 2010, 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 2010, the outstanding balance of the HSBC Facilities amounted to HK$124,156,000. The provisions of the HSBC Loan Facility Agreements require at least 44.01% direct or indirect interest in the Company to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). This obligation has been complied with.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2010 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 136 and 137.

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, 28 February 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
CK LIFE SCIENCES INT'L., (HOLDINGS) INC.
(incorporated in the 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 46 to 121, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with our agreed terms of engagement, 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 about 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 of the consolidated financial statements that give a true and fair view 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 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 February 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated)
Turnover	6	**2,694,204**	2,678,889
Cost of sales		**(1,872,152)**	(1,839,133)
		822,052	839,756
Other income, gains and losses	7	**263,226**	292,345
Staff costs	8	**(337,265)**	(310,077)
Depreciation		**(21,876)**	(35,037)
Amortisation of intangible assets		**(44,861)**	(47,808)
Other expenses		**(439,597)**	(494,466)
Finance costs	9	**(17,421)**	(18,110)
Share of results of associates		**8**	(11,272)
Profit before taxation		**224,266**	215,331
Taxation	10	**(25,597)**	(29,271)
Profit for the year	11	**198,669**	186,060
Attributable to:			
Shareholders of the Company		**208,551**	187,098
Non-controlling interests		**(9,882)**	(1,038)
		198,669	186,060
Earnings per share	12		
– Basic		**2.17 cents**	1.95 cents
– Diluted		**2.17 cents**	1.95 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**198,669**	186,060
Other comprehensive income		
Exchange difference arising from translation of foreign operations	**261,106**	421,711
Revaluation attributable to assets previously held as interest in an associate	**–**	25,781
Gain on fair value changes of available-for-sale investments	**444,098**	26,918
Reclassification adjustment upon disposal of available-for-sale investments	**(229,766)**	(26,918)
Other comprehensive income for the year	**475,438**	447,492
Total comprehensive income for the year	**674,107**	633,552
Total comprehensive income attributable to:		
Shareholders of the Company	**679,446**	634,590
Non-controlling interests	**(5,339)**	(1,038)
	674,107	633,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	14	**523,312**	470,684	444,877
Intangible assets	15	**4,019,236**	3,972,183	3,722,997
Interests in associates	16	**18,489**	17,842	44,472
Convertible debentures issued by an associate		**–**	–	58,885
Available-for-sale investments	17	**310,041**	150,101	209,343
Investments at fair value through profit or loss	18	**206,014**	192,839	58,430
Deferred taxation	29	**23,196**	21,056	19,076
Long-term receivables	19	**19,984**	38,580	–
Time deposits	23	**93,480**	–	–
		5,213,752	4,863,285	4,558,080
Current assets				
Debt investment		**–**	–	59,474
Investments at fair value through profit or loss	18	**163,000**	163,171	139,351
Derivative financial instruments	20	**–**	2,633	15,780
Tax recoverable		**–**	762	3,629
Inventories	21	**508,603**	425,921	463,711
Receivables and prepayments	22	**872,654**	805,906	615,195
Deposits with financial institutions		**–**	–	44,952
Time deposits	23	**55,309**	–	–
Bank balances and deposits	24	**575,209**	636,895	303,554
		2,174,775	2,035,288	1,645,646
Current liabilities				
Payables and accruals	25	**(543,123)**	(621,545)	(588,995)
Derivative financial instruments	20	**(24,692)**	(23,087)	(99,398)
Bank overdrafts	24	**–**	(385)	(7,445)
Bank loans	26	**(1,067,956)**	–	–
Finance lease obligations	27	**(1,003)**	(580)	(494)
Taxation		**(65,293)**	(48,695)	(19,945)
		(1,702,067)	(694,292)	(716,277)
Net current assets		**472,708**	1,340,996	929,369
Total assets less current liabilities		**5,686,460**	6,204,281	5,487,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Non-current liabilities				
Bank loans	26	**–**	(1,061,300)	(1,045,675)
Finance lease obligations	27	**(399)**	(807)	(1,108)
Loans from non-controlling shareholders	28	**(36,531)**	(34,333)	(25,907)
Deferred taxation	29	**(27,077)**	(31,273)	(29,887)
		(64,007)	(1,127,713)	(1,102,577)
Total net assets		**5,622,453**	5,076,568	4,384,872
Capital and reserves				
Share capital	30	**961,107**	961,107	961,107
Share premium and reserves		**4,550,419**	3,944,251	3,309,661
Equity attributable to shareholders of the Company		**5,511,526**	4,905,358	4,270,768
Non-controlling interests		**110,927**	171,210	114,104
Total equity		**5,622,453**	5,076,568	4,384,872

Li Tzar Kuoi, Victor
Director

Ip Tak Chuen, Edmond
Director

28 February 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to shareholders of the Company								Attributable to non-controlling interests			
	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Subtotal *HK$'000*	Share option reserve of a subsidiary *HK$'000*	Non-controlling interests *HK$'000*	Subtotal *HK$'000*	Total *HK$'000*
At 1 January 2009	961,107	4,147,543	–	(436,637)	6,126	–	(407,371)	4,270,768	–	114,104	114,104	4,384,872
Profit for the year	–	–	–	–	–	–	187,098	187,098	–	(1,038)	(1,038)	186,060
Exchange difference arising from translation	–	–	–	421,711	–	–	–	421,711	–	–	–	421,711
Revaluation attributable to assets previously held as interest in an associate	–	–	–	–	–	25,781	–	25,781	–	–	–	25,781
Gain on fair value changes of available-for-sale investments	–	–	26,918	–	–	–	–	26,918	–	–	–	26,918
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(26,918)	–	–	–	–	(26,918)	–	–	–	(26,918)
Total comprehensive income for the year	–	–	–	421,711	–	25,781	187,098	634,590	–	(1,038)	(1,038)	633,552
Arising from acquisition of subsidiary	–	–	–	–	–	–	–	–	–	58,071	58,071	58,071
Employees' share option benefits for a subsidiary	–	–	–	–	–	–	–	–	55	18	73	73
Employee's share option lapsed during the year	–	–	–	–	(1,428)	–	1,428	–	–	–	–	–
At 1 January 2010	**961,107**	**4,147,543**	**–**	**(14,926)**	**4,698**	**25,781**	**(218,845)**	**4,905,358**	**55**	**171,155**	**171,210**	**5,076,568**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**208,551**	**208,551**	**–**	**(9,882)**	**(9,882)**	**198,669**
Exchange difference arising from translation	**–**	**–**	**–**	**256,540**	**–**	**–**	**–**	**256,540**	**–**	**4,566**	**4,566**	**261,106**
Gain on fair value changes of available-for-sale investments	**–**	**–**	**444,121**	**–**	**–**	**–**	**–**	**444,121**	**–**	**(23)**	**(23)**	**444,098**
Reclassification adjustment upon disposal of available-for-sale investments	**–**	**–**	**(229,766)**	**–**	**–**	**–**	**–**	**(229,766)**	**–**	**–**	**–**	**(229,766)**
Total comprehensive income for the year	**–**	**–**	**214,355**	**256,540**	**–**	**–**	**208,551**	**679,446**	**–**	**(5,339)**	**(5,339)**	**674,107**
Rights issue of a subsidiary attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,972**	**5,972**	**5,972**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(73,278)**	**–**	**(73,278)**	**–**	**(52,571)**	**(52,571)**	**(125,849)**
Employees' share option benefits for a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**743**	**89**	**832**	**832**
Employee's share option lapsed during the year	**–**	**–**	**–**	**–**	**(153)**	**–**	**153**	**–**	**–**	**–**	**–**	**–**
Dividends distributed to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,177)**	**(9,177)**	**(9,177)**
At 31 December 2010	**961,107**	**4,147,543**	**214,355**	**241,614**	**4,545**	**(47,497)**	**(10,141)**	**5,511,526**	**798**	**110,129**	**110,927**	**5,622,453**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated)
Profit before taxation		**224,266**	215,331
Share-based payment expense		**832**	73
Share of results of associates		**(8)**	11,272
Finance costs		**17,421**	18,110
Depreciation		**49,702**	60,081
Gain on disposal of available-for-sale investments		**(229,766)**	(26,918)
Gain on disposal of assets	*19*	**–**	(20,863)
Net gain on investments at fair value through profit or loss		**(8,248)**	(184,381)
Net loss/(gain) on derivative financial instruments		**3,530**	(24,773)
(Gain)/loss on disposal of property, plant and equipment		**(1,299)**	7,199
Interest income		**(12,960)**	(22,158)
Amortisation of intangible assets		**44,861**	47,808
Intangible assets written off		**134,944**	150,102
Net (recovery of impairment)/impairment of trade receivables		**(207)**	25,668
Inventories written off		**6,651**	3,891
Operating cash flows before working capital changes		**229,719**	260,442
(Increase)/decrease in inventories		**(47,517)**	69,487
Increase in receivables and prepayments		**(17,670)**	(148,992)
Increase/(decrease) in payables and accruals		**19,002**	(25,313)
Profits tax paid		**(16,360)**	(5,950)
Net cash from operating activities		**167,174**	149,674
Investing activities			
Purchases of property, plant and equipment		**(60,539)**	(58,861)
Proceeds from disposal of property, plant and equipment		**2,054**	12,972
Purchase of subsidiaries	*37*	**–**	46,458
Proceeds from disposal of assets	*19*	**–**	4,680
Receipts from a promissory note receivable	*19*	**27,533**	66,821
Purchase of convertible debentures issued by an associate		**–**	(26,240)
Increase in time deposits		**(139,765)**	–
Purchases of investments at fair value through profit or loss		**(82,748)**	(224,688)
Purchase of available-for-sale investment		**(193,935)**	(43,400)
Net proceeds from disposal of debts investments		**–**	61,152
Net proceeds from disposal of investments at fair value through profit or loss		**80,894**	191,093
Net proceeds from disposal of available-for-sale investment		**329,882**	129,561
Expenditure on intangible assets		**(70,135)**	(32,716)
Decrease in deposits with financial institutions		**–**	44,952
Interest received		**12,960**	9,454
Net cash (used in)/from investing activities		**(93,799)**	181,238

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Financing activities			
New bank loans raised		**–**	266
Repayment of bank loans		**(189)**	–
Finance leases obligations repaid		**(652)**	(546)
Interest paid		**(15,469)**	(17,828)
Rights issue of a subsidiary attributable to non-controlling interests		**5,972**	–
Acquisition of additional interests in subsidiaries		**(125,849)**	–
Repayment of loans from non-controlling shareholder of subsidiaries		**(4,241)**	(1,189)
Dividend distributed to non-controlling interests		**(9,177)**	–
Net cash used in financing activities		**(149,605)**	(19,297)
Net (decrease)/increase in cash and cash equivalents		**(76,230)**	311,615
Cash and cash equivalents at beginning of the year		**636,510**	296,109
Effect of foreign exchange rate changes		**14,929**	28,786
Cash and cash equivalents at end of the year	*24*	**575,209**	636,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

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

The consolidated 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 health and environmental products, as well as investment in various financial and investment products. Particulars regarding the principal subsidiaries are set out in Appendix I.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements (cont'd)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interests in certain subsidiaries namely Vitaquest International Holdings LLC, Polynoma LLC and Wex Pharmaceuticals Inc. during the year. The changes in the Group's ownership interests in such subsidiaries were disclosed in Appendix I. The change in policy has resulted in the amount of HK$73,278,000, which represented the difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid, being recognised directly in equity. In addition, the cash consideration paid in the current year of HK$125,849,000 has been included in cash flows used in financing activities, instead of in investing activities. The application of the revised HKAS 27 has had no material impact on the reported profit or loss for the current and prior years.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The application of the revised Standard has resulted in share options reserve relating to the employee share option plan of a subsidiary of the Company, being included as part of non-controlling interest in the consolidated statement of changes in equity. Previously, the share options reserve was presented separately in the consolidated statement of financial position and consolidated statement of changes in equity.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

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

Amendments to HKAS 17 Leases (cont'd)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$12,074,000 and HK$11,761,000 as at 1 January 2009 and 31 December 2009 respectively being reclassified to land and building under property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$11,447,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no material impact on the reported profit or loss for the current and prior years.

Summary of the effects of the above changes in accounting policies

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

	At 31 December 2009			At 1 January 2009		
	Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Property, plant and equipment	458,923	11,761	470,684	432,803	12,074	444,877
Prepaid lease for land	11,761	(11,761)	–	12,074	(12,074)	–
Total effects	470,684	–	470,684	444,877	–	444,877
Capital and reserves						
Share option reserve of a subsidiary	55	(55)	–	–	–	–
Minority interests	171,155	(171,155)	–	114,104	(114,104)	–
Non-controlling interests	–	171,210	171,210	–	114,104	114,104
Total effects	171,210	–	171,210	114,104	–	114,104

There are no cumulative effects on the Group's total equity as at 1 January 2009, 31 December 2009 and 1 January 2010.

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

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Increase in depreciation	**314**	313
Decrease in other expenses	**(314)**	(313)
	–	–

There are no material effect on the basic earnings per share and the diluted earnings per share.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28 [1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (as revised in 2009)	Related Party Disclosures [4]
HKAS 32 (Amendments)	Classification of Rights Issues [2]
HKFRS 7 (Amendments)	Transfer of Financial Assets [4]
HKFRS 9	Financial Instruments [6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and may have an impact on amounts reported in respect of the Groups' other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. If the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

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

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(b) Business combination

Business combinations that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination (cont'd)

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

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

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination (cont'd)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(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 subsequent accumulated depreciation and accumulated impairment losses. Land and building held for use in the supply of goods or services, or for administrative purpose is stated in the consolidated statement of financial position at its revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Leasehold improvement	$6\frac{2}{3}\%$ to 20%, or over the terms of lease, whichever is shorter
Leasehold land	Over the term of lease
Building	2.5% to 10%, or over the terms of lease, whichever is shorter
Laboratory instruments, plant and equipment	6%-$33\frac{1}{3}\%$
Furniture, fixtures and other assets	4%-50%

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceed and carrying value of the item) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets

i. Development costs

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

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

ii. Patents

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

iii. Goodwill

Goodwill arising from business combination is carried at cost less any accumulated impairment losses.

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

On subsequent disposal of the relevant cash generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (cont'd)

iv. Trademarks

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

v. Concession assets

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

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

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

(e) Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill and intangible assets with indefinite useful lives which are disclosed in note (d) above) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Impairment (cont'd)

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 in profit or loss immediately, unless the relevant asset is carried at a revalued amount under other standards, in which case the reversal of the impairment loss is treated as a revaluation increase under those standards.

(f) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 Financial Instruments – Recognition and Measurement). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in associates (cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments

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

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

Effective interest method

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

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

i. Financial assets/liabilities at fair value through profit or loss

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

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

– it has been acquired/incurred principally for the purpose of selling/repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) *Financial instruments (cont'd)*

i. Financial assets/liabilities 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/liability 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 other comprehensive income and accumulated in investment revaluation reserve. Upon disposal or when these financial assets are determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve is removed from the reserve and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

iii. Loans and receivables

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

iv. Impairment of financial assets

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

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

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

– significant financial difficulty of the issuer or counterparty; or

– breach of contract such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asst because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

iv. Impairment of financial assets (cont'd)

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserves.

v. Other financial liabilities

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

vi. Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

vii. Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

viii. Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Inventories

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

(i) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Sales of goods are recognised when goods are delivered and title has passed. Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding using the effective interest method. Service income, including that from operating service provided under service concession arrangement, is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) *Leased assets*

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

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term. Contingent rentals are recognised as an expense in the period in which they are incurred. 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.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. Leasehold lands in which substantially all the risks and rewards incidental to the ownership have been transferred to the Group are classified as finance leases.

(k) *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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) *Share-based payment*

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

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

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

(m) *Foreign currencies*

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

Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing rates at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Foreign currencies (cont'd)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

On consolidation, assets and liabilities of the Group's operations with a functional currency that is different from the presentation currency are translated into the presentation currency at the prevailing rates at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under heading of translation reserve (attributed to non-controlling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) *Foreign currencies (cont'd)*

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

(n) *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 and expense that are taxable or deductible in other years and it further excludes items of income and expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Taxation (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Borrowing costs

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate of the future cash flow expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value of subsidiaries where the goodwill arises. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. As at 31 December 2010 and 2009, no impairment loss has been identified.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONT'D)

Determining whether capitalised development cost is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected.

Details of the impairment test on goodwill and capitalised development costs are set out in note 15.

As at 31 December 2010, a deferred tax asset of HK$23,196,000 (2009: HK$21,056,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

5. RISK MANAGEMENT

Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's net borrowings divided by the capital. For this purpose, the Group defines net borrowings as total borrowings (including bank loans, bank overdrafts and finance lease obligations) less cash, bank balances and time deposits. Capital comprises all components of equity attributable to shareholders of the Company. As at 31 December 2010, the gearing ratio of the Group is 6.27% (2009: 8.69 %).

5. RISK MANAGEMENT (CONT'D)

Financial risk management

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

(a) Credit risk

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

The Group's maximum exposure to credit risk in the event of failures of the counterparties to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 22.

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

The credit risk on liquid funds and time deposits 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.

5. RISK MANAGEMENT (CONT'D)

Financial risk management (cont'd)

(b) Liquidity risk

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

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

The non-derivative financial liabilities of the Group as at the end of the reporting period are analysed into relevant maturity buckets based on their contractual maturity dates in the tables below:

	Payables and accruals *HK$'000*	Bank overdrafts *HK$'000*	Bank loans *HK$'000* *(note)*	Finance lease obligations *HK$'000*	Loans from non-controlling shareholders *HK$'000* *(note)*	Total *HK$'000*
Year 2010						
Carrying amount	**543,123**	**–**	**1,067,956**	**1,402**	**36,531**	**1,649,012**
Total contractual undiscounted cash flow						
Within 1 year or on demand	**543,123**	**–**	**1,074,885**	**1,074**	**4,790**	**1,623,872**
More than 1 year but less than 2 years	**–**	**–**	**–**	**122**	**2,931**	**3,053**
More than 2 years but less than 5 years	**–**	**–**	**–**	**341**	**11,297**	**11,638**
More than 5 years	**–**	**–**	**–**	**–**	**43,046**	**43,046**
	543,123	**–**	**1,074,885**	**1,537**	**62,064**	**1,681,609**
Year 2009						
Carrying amount	621,545	385	1,061,300	1,387	34,333	1,718,950
Total contractual undiscounted cash flow						
Within 1 year or on demand	621,545	385	10,875	682	5,550	639,037
More than 1 year but less than 2 years	–	–	1,067,406	839	2,915	1,071,160
More than 2 years but less than 5 years	–	–	–	–	8,486	8,486
More than 5 years	–	–	–	–	41,525	41,525
	621,545	385	1,078,281	1,521	58,476	1,760,208

Note:

The interest portion included in the undiscounted cash flow is calculated based on the balances as at 31 December 2010 and 31 December 2009 without taking into account of future increase or decrease of the balances. Interest rates are estimated using contractual rates or, if floating, based on current interest rates as at the respective end of reporting period.

5. RISK MANAGEMENT (CONT'D)

Financial risk management (cont'd)

(c) Interest rate risks

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

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

As most of the Group's interest-bearing financial assets (mainly bank deposits and debt investments) are based on floating rates with short interest rate reset periods, no material FVIR Risk is expected. The amounts of interest income from above financial assets are mainly depended on the availability of idle funds of the Group instead of interest rate and it is the Group's policy to obtain a favorable return by shifting the idle funds between the bank deposits and investments. Therefore, no material CFIR Risk from above financial assets is expected by management. Details of the Group's bank balances and deposits and investments have been disclosed in notes 18, 20, 23 and 24.

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 26.

As at 31 December 2010, if the interest rates on bank loans had been 50 basis points ("bps") higher/lower than the actual interest rates at year end with all other variables held constant, profit before taxation for the year would have been HK$5,340,000 (2009: HK$5,307,000) 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 end of next annual reporting period. The above sensitivity analysis is based on the bank loan balances of HK$1,067,956,000 as at 31 December 2010 (2009: HK$1,061,300,000) without considering the increases/decreases of the loan balances during the year.

(d) Currency risk

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

5. RISK MANAGEMENT (CONT'D)

Financial risk management (cont'd)

(e) Other price risk

The Group is exposed to securities price changes arising from its available-for-sale investments and investments at fair value through profit or loss (notes 17 and 18).

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 unlisted investments and available-for-sale investments are held for long term strategic purpose.

If the prices of the respective listed equity and debt securities had been 5% higher/lower, the Group's profit before taxation and other comprehensive income would increase/decrease by HK$8,150,000 (2009: HK$8,159,000) and HK$14,343,000 (2009: nil) respectively, as a result of changes in its fair value. The 5% increase/decrease represents management's assessment of a reasonably possible change in share prices over the period until the end of next annual reporting period.

(f) Fair value measurements

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

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

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

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

5. RISK MANAGEMENT (CONT'D)

Financial risk management (cont'd)

(f) Fair value measurements (cont'd)

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Year 2010				
Available-for-sale investments				
Equity securities – listed in Hong Kong	**286,867**	**–**	**–**	**286,867**
Debt securities – unlisted	**23,174**	**–**	**–**	**23,174**
Total	**310,041**	**–**	**–**	**310,041**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	**163,000**	**–**	**–**	**163,000**
Debt securities – unlisted	**–**	**206,014**	**–**	**206,014**
Total	**163,000**	**206,014**	**–**	**369,014**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**–**	**24,692**	**–**	**24,692**

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Year 2009				
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	163,171	–	–	163,171
Debt securities – unlisted	–	192,839	–	192,839
Derivative financial assets	–	2,633	–	2,633
Total	163,171	195,472	–	358,643
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	23,087	–	23,087

There were no transfers between Level 1 and 2 in both years.

6. TURNOVER

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

	2010	2009
	HK$'000	*HK$'000*
Environment	**864,923**	732,586
Health	**1,819,584**	1,928,237
Investment	**9,697**	18,066
	2,694,204	2,678,889

7. OTHER INCOME, GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
Included in other income, gains and losses are:		
Interest income from bank deposits	**8,374**	5,886
Interest income from convertible debentures issued by an associate	**–**	11,026
Other interest income	**4,586**	3,568
Gain on disposal of assets *(note 19)*	**–**	20,863
Gain on disposal of available-for-sale investments	**229,766**	26,918
Net (loss)/gain on investments at fair value through profit or loss		
– Investments held for trading	**(4,926)**	49,971
– Others	**13,174**	134,410
Net (loss)/gain on derivative financial instruments	**(3,530)**	24,773

8. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the year amounted to HK$611.1 million (2009: HK$544.5 million) of which HK$273.8 million (2009: HK$234.4 million) relating to direct labor costs was included in cost of sales.

9. FINANCE COSTS

	2010 ***HK$'000***	2009 *HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**13,783**	14,396
Bank overdrafts	**104**	181
Loan from a non-controlling shareholder	**3,501**	3,392
Finance leases	**33**	141
	17,421	18,110

10. TAXATION

	2010 ***HK$'000***	2009 *HK$'000*
The tax expenses for the year represent:		
Current tax		
Hong Kong	**366**	9,290
Other jurisdictions	**32,454**	23,019
Under provision in prior years		
Hong Kong	**2**	–
Other jurisdictions	**1,489**	1,595
Deferred tax *(Note 29)*		
Hong Kong	**–**	157
Other jurisdictions	**(8,714)**	(4,790)
	25,597	29,271

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

10. TAXATION (CONT'D)

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	**224,266**	215,331
Notional tax at tax rate of 16.5%	**37,004**	35,530
Tax effect of share of results of associates	**(1)**	1,860
Tax effect of non-deductible expenses	**29,344**	29,875
Tax effect of non-taxable income	**(76,541)**	(64,647)
Tax effect of tax losses not recognised	**26,889**	22,340
Under provision in prior years	**1,491**	1,595
Tax effect of utilisation of tax losses previously not recognised	**(2,060)**	(8,617)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**10,118**	8,327
Others	**(647)**	3,008
Tax expenses	**25,597**	29,271

11. PROFIT FOR THE YEAR

	2010 **HK$'000**	2009 *HK$'000* (Restated)
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**9,981**	9,147
Depreciation of property, plant and equipment		
Owned assets	**49,242**	59,554
Assets held under finance leases	**460**	527
	49,702	60,081
Amount included in production overheads	**(27,826)**	(25,044)
	21,876	35,037
Research and development expenditure	**112,888**	67,767
Amount capitalised as development costs	**(70,135)**	(32,602)
	42,753	35,165
Intangible assets written off	**134,944**	150,102
Amortisation of development costs	**2,430**	4,028
	180,127	189,295
Share-based payment	**832**	73
Impairment of trade receivables	**406**	30,555
Inventories written off	**6,651**	3,891
Operating lease expenses	**40,508**	27,501
Loss on disposal of property, plant and equipment	**–**	7,199
and after crediting:		
Dividend income from listed securities (included in turnover)	**3,199**	837
Bad debt recovery	**613**	4,887
Exchange gain	**2,892**	18,033
Gain on disposal of property, plant and equipment	**1,299**	–
Interest income from debt investments (included in turnover)		
– Unlisted	**–**	5,908
Interest income from investments at fair value through profit or loss (included in turnover)		
– Listed	**600**	842
– Unlisted	**5,898**	10,479

12. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**208,551**	187,098
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	**9,611,073,000**	9,611,073,000

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2010 and 2009.

13. DIVIDENDS

A final dividend for the year ended 31 December 2010 of HK$0.005 per share with an aggregate amount of HK$48,055,000 had been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting (2009: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000 (Restated)	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold improvement HK$'000	Total HK$'000 (Restated)
Cost or valuation						
At 1 January 2009	182,669	15,279	334,152	95,401	61,072	688,573
Additions	14,500	8,281	18,215	9,728	8,137	58,861
Acquired on acquisition of a subsidiary	–	–	37	350	1	388
Reclassification	–	(5,941)	879	5,062	–	–
Disposals/write-off	–	(9,385)	(32,034)	(6,706)	(7,962)	(56,087)
Exchange difference	26,876	1,337	62,695	6,927	3,154	100,989
At 1 January 2010	**224,045**	**9,571**	**383,944**	**110,762**	**64,402**	**792,724**
Additions	**451**	**35,576**	**17,481**	**5,001**	**2,567**	**61,076**
Reclassification	**–**	**(25,192)**	**10,893**	**611**	**13,688**	**–**
Disposals/write-off	**–**	**–**	**(1,032)**	**(2,535)**	**–**	**(3,567)**
Exchange difference	**19,123**	**1,186**	**27,505**	**5,392**	**2,099**	**55,305**
At 31 December 2010	**243,619**	**21,141**	**438,791**	**119,231**	**82,756**	**905,538**
Comprising:						
Cost	**–**	**21,141**	**438,791**	**119,231**	**82,756**	**661,919**
Valuation	**243,619**	**–**	**–**	**–**	**–**	**243,619**
	243,619	**21,141**	**438,791**	**119,231**	**82,756**	**905,538**

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

	Land and building HK$'000 (Restated)	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold improvement HK$'000	Total HK$'000 (Restated)
Depreciation						
At 1 January 2009	3,831	–	151,195	68,531	20,139	243,696
Provided for the year	3,872	–	32,773	16,637	6,799	60,081
Eliminated upon disposals/ write-off	–	–	(13,183)	(2,479)	(1,764)	(17,426)
Exchange difference	277	–	30,130	4,651	631	35,689
At 1 January 2010	**7,980**	**–**	**200,915**	**87,340**	**25,805**	**322,040**
Provided for the year	**4,163**	**–**	**30,797**	**7,532**	**7,210**	**49,702**
Eliminated upon disposals/ write-off	**–**	**–**	**(626)**	**(2,186)**	**–**	**(2,812)**
Exchange difference	**813**	**–**	**8,300**	**3,679**	**504**	**13,296**
At 31 December 2010	**12,956**	**–**	**239,386**	**96,365**	**33,519**	**382,226**
Carrying values						
At 31 December 2010	**230,663**	**21,141**	**199,405**	**22,866**	**49,237**	**523,312**
At 31 December 2009	216,065	9,571	183,029	23,422	38,597	470,684
At 1 January 2009	178,838	15,279	182,957	26,870	40,933	444,877

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

The carrying value of properties shown above comprises:

	2010 ***HK$'000***	2009 *HK$'000* (Restated)
Land and building in Hong Kong under medium term lease	**83,389**	85,732
Overseas freehold land and building	**147,274**	130,333
	230,663	216,065

The land and buildings in Hong Kong was revalued by the Directors of the Group on depreciated replacement cost basis with reference to valuation at 31 December 2010 by an independent professional valuer. The freehold land and building in overseas were revalued by the Directors of the Group by reference to recent market prices for similar properties. Had the land and building been carried at the historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$265,036,000 (2009: HK$251,320,000).

The 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.

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$1,451,000 (2009: HK$1,294,000).

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$537,000 (2009: nil).

15. INTANGIBLE ASSETS

	Development costs HK$'000	Patents HK$'000	Goodwill HK$'000	Trademark HK$'000	Customer relationship HK$'000	Distribution network HK$'000	Concession assets HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost									
At 1 January 2009	456,524	18,101	2,817,477	105,706	328,357	37,463	83,530	7,627	3,854,785
Additions	32,602	114	–	–	–	–	–	–	32,716
Arising on acquisition of a subsidiary	198,866	–	–	–	–	–	–	–	198,866
Disposals/write-off	(152,126)	(3,421)	–	(26,481)	–	(37,463)	–	–	(219,491)
Exchange difference	4,916	40	200,904	13,787	38,171	–	24,531	1,143	283,492
At 1 January 2010	**540,782**	**14,834**	**3,018,381**	**93,012**	**366,528**	**–**	**108,061**	**8,770**	**4,150,368**
Additions	**70,135**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**70,135**
Disposals/write-off	**(143,093)**	**(14,659)**	**–**	**–**	**–**	**–**	**–**	**(5,976)**	**(163,728)**
Exchange difference	**14,019**	**24**	**108,887**	**6,870**	**23,379**	**–**	**15,371**	**1,234**	**169,784**
At 31 December 2010	**481,843**	**199**	**3,127,268**	**99,882**	**389,907**	**–**	**123,432**	**4,028**	**4,226,559**
Amortisation									
At 1 January 2009	18,946	2,720	–	–	73,601	9,969	23,894	2,658	131,788
Provided for the year	4,028	490	–	–	34,928	1,617	3,760	2,985	47,808
Eliminated upon disposals/write-off	(4,780)	(665)	–	–	–	(11,586)	–	–	(17,031)
Exchange difference	–	32	–	–	6,454	–	7,579	1,555	15,620
At 1 January 2010	**18,194**	**2,577**	**–**	**–**	**114,983**	**–**	**35,233**	**7,198**	**178,185**
Provided for the year	**2,430**	**327**	**–**	**–**	**37,339**	**–**	**4,385**	**380**	**44,861**
Eliminated upon disposals/write-off	**(20,046)**	**(2,762)**	**–**	**–**	**–**	**–**	**–**	**(5,976)**	**(28,784)**
Exchange difference	**34**	**20**	**–**	**–**	**7,408**	**–**	**5,564**	**35**	**13,061**
At 31 December 2010	**612**	**162**	**–**	**–**	**159,730**	**–**	**45,182**	**1,637**	**207,323**
Carrying values									
At 31 December 2010	**481,231**	**37**	**3,127,268**	**99,882**	**230,177**	**–**	**78,250**	**2,391**	**4,019,236**
At 31 December 2009	522,588	12,257	3,018,381	93,012	251,545	–	72,828	1,572	3,972,183
At 1 January 2009	437,578	15,381	2,817,477	105,706	254,756	27,494	59,636	4,969	3,722,997

15. INTANGIBLE ASSETS (CONT'D)

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 2010 allocated to these segments are as follows:

	Goodwill		Trademark	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Health	**2,809,022**	2,734,246	**80,309**	75,876
Environment	**318,246**	284,135	**19,573**	17,136
	3,127,268	3,018,381	**99,882**	93,012

During the year ended 31 December 2010, management of the Group determines that there are no impairments of any of its CGUs containing goodwill or trademark with indefinite useful lives.

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

The Group also tests the impairment of capitalised development costs by assessing, where appropriate, the cash flow and profit projections, and the progress of the development activities of the relevant products groups.

During the year, turnover and loss contributed to the Group by the concession arrangement was HK$13,081,000 (2009: HK$12,038,000) and HK$9,000 (2009: profit of HK$550,000) respectively.

As management decided to discontinue certain development projects, related development and patents costs previously capitalised with carrying values totaling HK$134,944,000 (2009: HK$150,102,000) were written off.

Other intangible assets include non-competition agreement.

16. INTERESTS IN ASSOCIATES

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Cost of investments in associates			
Unlisted	**23,668**	23,668	23,668
Listed overseas	**–**	–	37,824
Share of post-acquisition results	**(8,695)**	(8,703)	(13,452)
Exchange reserve	**3,516**	2,877	(3,568)
	18,489	17,842	44,472

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:

	2010 HK$'000	2009 HK$'000
Total assets	**272,977**	258,581
Total liabilities	**(199,021)**	(187,213)
Net assets	**73,956**	71,368
Group's share of net assets of associates	**18,489**	17,842
Revenue	**91,075**	75,931
Profit/(loss) for the year	**30**	(43,147)
Group's share of results of associates for the year	**8**	(11,272)

17. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Equity security			
– listed overseas at quoted price	**–**	–	59,242
– listed in Hong Kong at quoted price	**286,867**	–	–
– unlisted, at cost	**–**	150,101	150,101
Debt securities – unlisted	**23,174**	–	–
	310,041	150,101	209,343

As at 31 December 2009, the unlisted equity security investment represented 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 was measured at cost less impairment on 31 December 2009 because the range of reasonable fair value estimates was so wide that the directors of the Company were of the option that its fair value could not be measured reliably. During the current year, the unlisted equity security is listed in the Stock Exchange and it has been measured at its fair value thereafter.

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Equity securities held for trading			
– listed in Hong Kong at quoted price	**83,069**	65,706	4,645
– listed overseas at quoted price	**22,325**	19,698	11,726
Debt securities held for trading			
– listed in Hong Kong at quoted price	**34,590**	77,767	122,980
– listed overseas at quoted price	**23,016**	–	–
Debt securities – unlisted	**206,014**	192,839	58,430
	369,014	356,010	197,781
Carrying amount analysed for reporting purpose as:			
Non-current	**206,014**	192,839	58,430
Current	**163,000**	163,171	139,351

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

19. LONG-TERM RECEIVABLES

During the year ended 31 December 2009, Vitaquest International LLC ("Vitaquest LLC"), an indirect non-wholly owned subsidiary of the Company, entered into an asset purchase agreement with Windmill Health Products, LLC (the "Purchaser"), an independent third party, under which Vitaquest LLC agreed to sell and the Purchaser agreed to purchase all of the operating assets (the "Transferred Assets") of a distribution division of Vitaquest LLC (the "Disposal"). The principal activity of Vitaquest LLC is the supplying and manufacturing of nutritional supplements. There is no change in the principal activity of Vitaquest LLC upon the completion of the Disposal.

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

The Promissory Note carries a fixed interest of 5% per annum and is secured by a first position lien and security interest in all assets owned by the Purchaser. The payment of the principal and interest under the Promissory Note shall be made in thirty-six monthly installments on the first day of each calendar month commencing on 1 July 2009. The Directors consider that the carrying amount of long-term receivables approximate to its fair value. The outstanding principal of the Promissory Note was analysed as below:

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Promissory Note	**58,487**	86,020	–
Less: Current portion included in receivables and prepayments *(note 22)*	**(38,503)**	(47,440)	–
Non-current portion included in long-term receivables	**19,984**	38,580	–

20. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Assets			
Derivative financial instruments (deemed as held for trading) at fair value:			
Interest rate swap	**–**	2,633	803
Convertible debentures issued by an associate			
Embedded derivative portion	**–**	–	14,977
	–	2,633	15,780
Liabilities			
Derivative financial instruments (deemed as held for trading) at fair value:			
Interest rate swap	**(24,692)**	(23,087)	(99,398)

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

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

21. INVENTORIES

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Raw materials	**279,508**	228,023	201,814
Work in progress	**89,498**	79,173	94,257
Finished goods	**139,597**	118,725	167,640
	508,603	425,921	463,711

The cost of inventories recognised as an expense during the year was HK$1,872,152,000 (2009: HK$1,839,133,000).

22. RECEIVABLES AND PREPAYMENTS

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Trade receivables	**657,005**	621,509	510,547
Less: provision for impairment	**(21,132)**	(56,774)	(34,655)
	635,873	564,735	475,892
Other receivables, deposits and prepayments	**236,781**	241,171	139,303
	872,654	805,906	615,195

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

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

	2010 HK$'000	2009 HK$'000
0 – 90 days	**570,770**	527,669
Over 90 days	**65,103**	37,066
	635,873	564,735

22. RECEIVABLES AND PREPAYMENTS (CONT'D)

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

	2010 *HK$'000*	2009 *HK$'000*
Current	**376,860**	249,826
Less than 90 days past due	**240,373**	303,304
Over 90 days past due	**18,640**	11,605
	259,013	314,909
	635,873	564,735

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:

	2010 *HK$'000*	2009 *HK$'000*
At 1 January	**56,774**	34,655
Impairment loss recognised	**406**	30,555
Amounts recovered during the year	**(613)**	(4,887)
Uncollectible amounts written off	**(37,914)**	(6,578)
Exchange difference	**2,479**	3,029
At 31 December	**21,132**	56,774

Included in the other receivables is an amount of HK$27,222,000 (2009: HK$27,222,000) due from certain non-controlling shareholders 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.

23. TIME DEPOSITS

Time deposits represent the guaranteed investment certificates and carry an average interest rate of 1.73% per annum.

24. CASH AND CASH EQUIVALENTS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Bank balances and deposits *(note (a))*	**575,209**	636,895	303,554
Bank overdrafts *(note (b))*	**–**	(385)	(7,445)
	575,209	636,510	296,109

Notes:

(a) Bank balances and deposits carry an average interest rate of 1.32% (2009: 1.27%) per annum.

(b) Bank overdrafts as at 31 December 2009 were secured by a charge over the assets of a subsidiary and carry interest with reference to the Canadian Dollar Prime Rate plus 0.50% per annum.

25. PAYABLES AND ACCRUALS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Trade payables	**257,021**	242,108	259,290
Other payables and accrued charges	**286,102**	379,437	329,705
Financial liabilities measured at amortised cost	**543,123**	621,545	588,995

The ageing analysis of trade payables is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Current to 90 days	**251,698**	237,455
Over 90 days	**5,323**	4,653
	257,021	242,108

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

26. BANK LOANS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Bank loans repayable			
Within 1 year	**1,067,956**	–	–
2 to 5 years	**–**	1,061,300	1,045,675
Analysed as:			
Secured	**124,156**	117,500	101,875
Unsecured	**943,800**	943,800	943,800
	1,067,956	1,061,300	1,045,675
Carrying amount analysed for reporting purpose as:			
Current	**1,067,956**	–	–
Non-current	**–**	1,061,300	1,045,675

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

	2010 *HK$'000*	2009 *HK$'000*
Canadian dollars *(note (a))*	**124,156**	117,500
United State dollars *(note(b))*	**943,800**	943,800
	1,067,956	1,061,300

Notes:

(a) The bank loans are secured by a charge over the assets of a subsidiary and carry interest with reference to the Banker's Acceptance Rate plus a stamping fee of 0.75% per annum. The loan is for a period of three years from May 2008 to May 2011.

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

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

27. FINANCE LEASE OBLIGATIONS

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2010	31 December 2009	1 January 2009	**31 December 2010**	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Finance lease obligations payable						
within 1 year	**1,075**	682	623	**1,003**	580	494
2 to 5 year	**462**	839	1,214	**399**	807	1,108
	1,537	1,521	1,837	**1,402**	1,387	1,602
Less: Future finance charges	**(135)**	(134)	(235)	**–**	–	–
Present value of finance lease obligations	**1,402**	1,387	1,602	**1,402**	1,387	1,602
Carrying amount analysed for reporting purpose as:						
Current				**1,003**	580	494
Non-current				**399**	807	1,108

The finance leases are secured on certain property, plant and equipment with average lease term of 3-5 years.

28. LOANS FROM NON-CONTROLLING SHAREHOLDERS

Loans from non-controlling shareholders are unsecured, bearing interest with reference to Bill Swap Reference Rate (Bid) plus 1.0% to 1.1% per annum except for amounts of HK$4,346,000 which are unsecured, interest free and not repayable within one year.

The Directors consider that the carrying amount of loans from non-controlling shareholders approximates to its fair value.

29. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	Intangible assets *HK$'000*	Loans from non-controlling shareholders *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
The Group						
At 1 January 2009	21,490	268,677	3,301	(129,380)	(153,277)	10,811
Charge/(credit) to profit or loss	8,300	(12,152)	3,694	(18,891)	14,416	(4,633)
Exchange difference	(100)	9,085	1,521	(5,508)	(959)	4,039
At 1 January 2010	**29,690**	**265,610**	**8,516**	**(153,779)**	**(139,820)**	**10,217**
Charge/(credit) to profit or loss	**(4,473)**	**16,487**	**(252)**	**(64,968)**	**44,492**	**(8,714)**
Exchange difference	**(481)**	**5,342**	**1,212**	**(3,353)**	**(342)**	**2,378**
At 31 December 2010	**24,736**	**287,439**	**9,476**	**(222,100)**	**(95,670)**	**3,881**

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

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

	31 December 2010 ***HK$'000***	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Deferred tax liabilities	**27,077**	31,273	29,887
Deferred tax assets	**(23,196)**	(21,056)	(19,076)
	3,881	10,217	10,811

At the end of the reporting period, the total un-utilised tax losses and tax credits amounted to approximately HK$2,601,368,000 (2009: HK$2,289,176,000). A deferred tax asset has been recognised in respect of HK$590,596,000 (2009: HK$499,785,000) of such losses and credits. No deferred tax asset has been recognised in respect of the remaining HK$2,010,772,000 (2009: HK$1,789,391,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses and credits to be utilised.

29. DEFERRED TAXATION (CONT'D)

An analysis of the expiry dates of the tax losses and tax credits is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 1 to 5 years	**73,277**	77,936
Over 5 years	**753,939**	562,114
No expiry date	**1,774,152**	1,649,126
	2,601,368	2,289,176

30. SHARE CAPITAL

	Number of shares of HK$0.1 each	**Nominal value**
	'000	*HK$'000*
Authorised	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 31 December 2010	9,611,073	961,107

31. SHARE OPTION SCHEMES

(a) The Company

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

As at 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,068,881 (2009: 9,370,113) shares, representing 0.10% (2009: 0.10%) 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.

31. SHARE OPTION SCHEMES (CONT'D)

(a) The Company (cont'd)

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:

	Number of share options							
Date of Grant	**Outstanding as at 1 January 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2010**	**No. of exercisable options as at 31 December 2010**	**Option period**	**Adjusted subscription price per share** *HK$*
Year 2010								
30/9/2002	**1,603,386**	**–**	**–**	**(51,704)**	**1,551,682**	**1,551,682**	**30/9/2003 to 29/9/2012**	**1.422**
27/1/2003	**3,740,559**	**–**	**–**	**(112,400)**	**3,628,159**	**3,628,159**	**27/1/2004 to 26/1/2013**	**1.286**
19/1/2004	**4,026,168**	**–**	**–**	**(137,128)**	**3,889,040**	**3,889,040**	**19/1/2005 to 18/1/2014**	**1.568**

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

31. SHARE OPTION SCHEMES (CONT'D)

(a) The Company (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.

(b) Wex Pharmaceuticals Inc. ("Wex")

Wex has a share option plan which provides for the granting of up to 9,300,000 share options to acquire common shares to executive officers, directors, employees, consultants and clinical advisory board members. Up to the year ended 31 December 2010, a total of 2,786,566 (2009: 2,786,566) share options have been exercised. As at 31 December 2010, Wex has 3,281,434 (2009: 3,926,434) share options available for future issuance under the plan. The share options available for issuance under the plan vest over various periods and have maximum exercise terms of five years.

31. SHARE OPTION SCHEMES (CONT'D)

(b) Wex Pharmaceuticals Inc. ("Wex") (cont'd)

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

	Number of share options							
Date of Grant	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Outstanding as at 31 December 2010	No. of exercisable options as at 31 December 2010	Option period	Adjusted subscription price per share *CAD*
Year 2010								
28/12/2005	**100,000**	**–**	**–**	**(100,000)**	**–**	**–**	**28/12/2005 to 27/12/2010**	**1.50**
26/1/2006	**233,000**	**–**	**–**	**–**	**233,000**	**233,000**	**26/1/2006 to 26/1/2011**	**1.55**
29/9/2006	**544,000**	**–**	**–**	**–**	**544,000**	**544,000**	**29/9/2006 to 29/9/2011**	**0.38**
20/11/2007	**150,000**	**–**	**–**	**–**	**150,000**	**150,000**	**20/11/2007 to 19/11/2012**	**0.51**
16/6/2008	**150,000**	**–**	**–**	**–**	**150,000**	**150,000**	**16/6/2008 to 16/6/2013**	**0.86**
24/9/2008	**1,015,000**	**–**	**–**	**–**	**1,015,000**	**906,666**	**24/9/2008 to 24/9/2013**	**0.46**
11/12/2008	**200,000**	**–**	**–**	**–**	**200,000**	**187,500**	**11/12/2008 to 11/12/2013**	**0.25**
1/1/2009	**60,000**	**–**	**–**	**–**	**60,000**	**40,000**	**1/1/2009 to 1/1/2014**	**0.36**
17/3/2009	**60,000**	**–**	**–**	**–**	**60,000**	**30,000**	**17/3/2009 to 17/3/2014**	**0.19**
25/3/2009	**75,000**	**–**	**–**	**–**	**75,000**	**25,000**	**25/3/2009 to 25/3/2014**	**0.20**
9/2/2010	**–**	**745,000**	**–**	**–**	**745,000**	**186,250**	**9/2/2010 to 9/2/2015**	**0.135**

31. SHARE OPTION SCHEMES (CONT'D)

(b) Wex Pharmaceuticals Inc. ("Wex") (cont'd)

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

31. SHARE OPTION SCHEMES (CONT'D)

(b) Wex Pharmaceuticals Inc. ("Wex") (cont'd)

The estimated fair value of the options granted in the current year is CAD0.11. This fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as followings:

	Share options granted on 9 February 2010
Exercise price	**CAD0.135**
Expected volatility	**111.00%**
Expected life	**5 years**
Risk-free rate	**2.20%**
Expected dividend yield	**0.00%**

32. PLEDGE OF ASSETS

Bank loan of HK$124,156,000 (2009: bank loan of HK$117,500,000 and overdraft of HK$385,000) 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$194,673,000 (2009: HK$184,989,000) as at 31 December 2010.

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

33. OPERATING LEASE COMMITMENT

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

	2010 *HK$'000*	2009 *HK$'000*
within 1 year	**42,050**	42,791
2 to 5 years	**123,829**	129,950
over 5 years	**101,124**	124,256

34. CAPITAL COMMITMENT

In addition to the capital commitment set out elsewhere in the notes to the consolidated financial statements, the Group has the following capital commitment as at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Capital commitment in respect of the acquisition of plant and equipment		
– contracted but not provided for	**11,541**	5,569
– authorised but not contracted for	**77**	–

35. RETIREMENT BENEFITS SCHEME

The principal employee retirement schemes operated by the Group are defined contribution schemes. For Hong Kong employees, contributions are made by either employer only or by both employer and employees at rates ranging from approximately 5% to 10% on employee's salary. For overseas employees, contributions are made by employer at rates ranging from 4% to 9% on employee's salary.

The Group's cost incurred on employees retirement schemes for the year was HK$29,857,000 (2009: HK$26,155,000) and forfeited contribution during the year of HK$242,000 (2009: HK$1,616,000) was used to reduce the Group's contribution in the year.

36. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid to the Company's Directors for the year ended 31 December 2010 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 2010** ***HK$'000***	Total emoluments 2009 *HK$'000*
Li Tzar Kuoi, Victor	75	–	–	–	**75**	75
Kam Hing Lam	75	–	1,750	–	**1,825**	1,575
Ip Tak Chuen, Edmond	75	–	–	–	**75**	75
Yu Ying Choi, Alan Abel	75	6,074	1,500	600	**8,249**	7,938
Chu Kee Hung	75	4,479	1,095	438	**6,087**	5,871
Peter Peace Tulloch	75	–	–	–	**75**	75
Wong Yue-chim, Richard	155	–	–	–	**155**	155
Kwok Eva Lee	180	–	–	–	**180**	180
Colin Stevens Russel	180	–	–	–	**180**	180
	965	10,553	4,345	1,038	**16,901**	16,124

The directors' fees included an amount of HK$75,000 (2009: HK$75,000) for each director and an additional amount of HK$80,000 (2009: HK$80,000) and HK$25,000 (2009: 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 2010. 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.

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

(b) *Five highest paid individuals*

Of the five individuals with the highest emoluments, two (2009: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2009: three) are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Salary and other benefits	**10,149**	10,292
Bonus	**3,337**	4,542
Retirement benefits scheme contributions	**586**	400
	14,072	15,234

Their emoluments were within the following bands:

	2010 Number of employees	2009 Number of employees
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	1
HK$7,500,001 to HK$8,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
	3	3

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

37. PURCHASE OF SUBSIDIARIES

Acquisition of Wex in 2009

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

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

In October 2009, the Group acquired further 66.02% of the total outstanding restricted voting shares of Wex through conversion of the convertible debentures of Wex. Upon the completion of the conversion, the Group's interests in Wex increased from 27.15% to 75.25% and Wex changed from an associate to a subsidiary of the Group.

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

38. SEGMENT INFORMATION

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

(a) Reportable segment information

	Environment		Health		Investment		Unallocated		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**864,923**	732,586	**1,819,584**	1,928,237	**9,697**	18,066	**–**	–	**2,694,204**	2,678,889
Segment results	**83,297**	51,142	**170,905**	208,950	**246,746**	267,203	**–**	–	**500,948**	527,295
Business development expenditure									**(18,790)**	(18,233)
Research and development expenditure									**(180,127)**	(189,295)
Corporate expenses									**(60,352)**	(75,054)
Finance costs									**(17,421)**	(18,110)
Share of results of associates									**8**	(11,272)
Profit before taxation									**224,266**	215,331
Taxation									**(25,597)**	(29,271)
Profit for the year									**198,669**	186,060
Other information										
Amortisation of intangible assets	**(7,406)**	(6,351)	**(34,695)**	(36,940)	**–**	–	**(2,760)**	(4,517)	**(44,861)**	(47,808)
Depreciation	**(9,290)**	(8,963)	**(32,160)**	(37,977)	**–**	–	**(8,252)**	(13,141)	**(49,702)**	(60,081)
Net (recovery of impairment)/impairment of trade receivables	**(406)**	(285)	**613**	(25,383)	**–**	–	**–**	–	**207**	(25,668)
Intangible assets written off	**–**	–	**–**	–	**–**	–	**(134,944)**	(150,102)	**(134,944)**	(150,102)

38. SEGMENT INFORMATION (CONT'D)

(b) *Geographical information*

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

	Turnover (note i)		Non-current assets (note ii)	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia Pacific	**1,570,519**	1,270,679	**1,422,079**	1,428,735
North America	**1,113,988**	1,390,144	**3,138,958**	3,031,974
	2,684,507	2,660,823	**4,561,037**	4,460,709

Notes:

i. Turnover excluding investment income generated from financial instruments.

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

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

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

39. RELATED PARTY TRANSACTIONS

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

(i) The Group made sales of HK$22,524,000 (2009: HK$16,991,000) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.

(ii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a non-controlling shareholder of a non-wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK$20,885,000 (2009: HK$18,906,000).

40. EVENTS AFTER THE REPORTING PERIOD

As detailed in the circular of the Company dated 31 December 2010, the Group entered into an implementation agreement (the "Agreement") in November 2010 with Challenger Listed Investments Limited, an independent third party and the responsible entity of Challenger Wine Trust ("CWT"). Pursuant to the Agreement, the Group agreed to acquire 137,837,287 scheme units, representing approximately 72.26% of all units in issue, of CWT by way of a scheme at a cash consideration of approximately AUD33.08 million (approximately HK$260 million) (the "Acquisition"). The transaction was completed subsequent to the reporting period, in February 2011.

Challenger Wine Trust is a trust and a registered managed investment scheme under the Corporations Act 2001 (Cth) of Australia, which was listed on the Australian Securities Exchange ("ASX"). The principal activity of CWT is to invest in a portfolio of high quality and strategically located vineyards and wineries in Australia and New Zealand that are leased primarily to wine companies. CWT was delisted from the ASX upon the completion of the Acquisition.

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

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 46 to 121 were approved and authorised for issue by the Board of Directors on 28 February 2011.

PRINCIPAL SUBSIDIARIES

APPENDIX I

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 2010	2009	Principal activities
Accensi Pty Ltd	Australia	AU$100	**100**	100	Manufacturing and marketing of plant protection products and soluble fertilisers
Amgrow Pty Limited	Australia	AU$2	**100**	100	Manufacturing and distribution of horticultural products for the home gardening market
Ample Castle Limited	British Virgin Islands	US$1	**100**	100	Financing
AquaTower Pty Ltd	Australia	AU$2	**51**	51	Water treatment
Biocycle Resources Limited	British Virgin Islands	US$1	**100**	100	Trading of biotechnology products
Bofanti Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
CK Biotech Laboratory Limited	Hong Kong	HK$2	**100**	100	Research and development
CK Life Sciences Int'l., Inc.	British Virgin Islands	US$1	**100**	100	Products commercialisation
CK Life Sciences Limited	Hong Kong	HK$10,000,000	**100**	100	Applied research, production, product development and commercialisation

APPENDIX I (CONT'D)

	Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly 2010	2009	Principal activities
	Dimac Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Fertico Pty Ltd	Australia	AU$4,000,100	**100**	100	Blending and distribution of fertiliser
	Lincore Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Lipa Pharmaceuticals Limited	Australia	AU$17,943,472.62	**100**	100	Contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines
#	Nanjing Green Vision EcoSciences Inc.	Mainland China	US$300,000*	**100**	100	Trading of biotechnology products
	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

APPENDIX I (CONT'D)

	Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly 2010	2009	Principal activities
Δ	Polynoma LLC	USA	N/A	**76.01**	66.67	Research and development
	Rank High Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Renascence Therapeutics Limited	Hong Kong	HK$100	**71**	–	Research and development
	Santé Naturelle (A.G.) Ltée	Canada	CAD4,716,310	**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 and nutritional supplements
Δ	Vitaquest International Holdings LLC	USA	N/A	**84.75**	80	Supplying and manufacturing of nutritional supplements
	Wex Pharmaceuticals Inc.	Canada	CAD119,262,761	**88.69**	75.25	Discovery, development, manufacturing and commercialisation of innovative drug products to treat pain
	Wonder Earn Investments Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments

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

APPENDIX I (CONT'D)

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

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

Foreign investment enterprise registered in the Mainland China

Δ Vitaquest International Holdings LLC and Polynoma LLC did not have any issued or registered capital. However, the Company held 84.75% and 76.01% interest in their common voting rights respectively.

PRINCIPAL ASSOCIATE

APPENDIX II

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

	Name	Effective percentage of capital held by the Company indirectly 2010	2009	Principal activities	Place of operation
#	Jiangsu Technology Union Eco-fertilizer Limited	**25.00**	25.00	Trading of biotechnology products	Mainland China

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

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 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 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 financial and credit crisis triggered in 2008 by the U.S. subprime mortgage predicament resulted in unprecedented adverse fallout across various countries and economic sectors. The negative repercussions of a tight global credit market had demonstrated that stock and commodity markets experienced unprecedented volatility, high unemployment rate, and a contraction of economic activities in emerging markets as well as major developed economies. Despite the recovery in the various global markets in the latter half of 2009, the debt crisis that occurred or rumoured in certain countries since late 2009 reflected continuing market risks and uncertain outlook. 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 potentially impact on the Group's financial position or potential income, asset value and liabilities.

HIGHLY COMPETITIVE MARKETS

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

RESEARCH AND DEVELOPMENT

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

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

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

INTELLECTUAL PROPERTY

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

INDUSTRY TRENDS AND INTEREST RATES

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

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

CURRENCY FLUCTUATIONS

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

STRATEGIC PARTNERS

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

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

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

IMPACT OF NEW ACCOUNTING STANDARDS

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

CONNECTED TRANSACTIONS

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

MERGERS AND ACQUISITIONS

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaken, 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.

NATURAL DISASTERS

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's financial conditions and results of operations. For example, in recent years, a number of countries including the Mainland, New Zealand and Japan experienced severe earthquakes that caused significant property damage and loss of life.

Although the Group has not experienced any major structural damage to its assets or facilities from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's assets or facilities, which could adversely affect the Group's financial conditions and results of operations.

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.

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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31 December 2010. It is noted however that in respect of code provision E.1.2 of the Code on CG Practices, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 7 May 2010 due to a sudden indisposition. The Chief Executive Officer chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Articles of Association and was available to answer questions.

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

I. CODE PROVISIONS

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td colspan="4">A. DIRECTORS</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td>A.1.1</td><td>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.</td><td>√</td><td>• The Board meets regularly and held meetings in March, May, July and November 2010.
• Details of Directors' attendance records in 2010:
Members of the Board — Attendance
Executive Directors
LI Tzar Kuoi, Victor (Chairman) 3/4
KAM Hing Lam (President and Chief Executive Officer) 4/4
IP Tak Chuen, Edmond 4/4
YU Ying Choi, Alan Abel 4/4
CHU Kee Hung 4/4
Non-executive Directors
Peter Peace TULLOCH (Non-executive Director) 4/4
WONG Yue-chim, Richard (Independent Non-executive Director) 4/4
KWOK Eva Lee (Independent Non-executive Director) 4/4
Colin Stevens RUSSEL (Independent Non-executive Director) 4/4
• The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company's Articles of Association.</td></tr>
<tr><td>A.1.2</td><td>All directors are given an opportunity to include matters in the agenda for regular board meetings.</td><td>√</td><td>• 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.</td></tr>
<tr><td>A.1.3</td><td>- At least 14 days notice for regular board meetings
- Reasonable notice for other board meetings</td><td>√
√</td><td>• 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.</td></tr>
<tr><td>A.1.4</td><td>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.</td><td>√</td><td>• 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.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.5	- Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. - Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	√ √	• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings. • Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting. • Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.
A.1.6	- Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached. - Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	√ √	• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. • Directors are given an opportunity to comment on draft Board minutes. • Final version of Board minutes is placed on record within a reasonable time after the Board meeting.
A.1.7	- A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense - The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.	√ √	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
A.1.8	- If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held. - Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	√ √	• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his/her interest in the matters to be passed in the resolution, if applicable. • If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.
A.2	**Chairman and Chief Executive Officer** ***Corporate Governance Principle*** *There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.*		
A.2.1	- Separate roles of chairman and chief executive officer not to be performed by the same individual	√	• The positions of the Chairman of the Board and the Chief Executive Officer are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.1 (cont'd)	- Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	√	• The Chief Executive Officer, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in November 2010. Details of the attendance records of the meeting are as follows: **Attendance** **Chairman** LI Tzar Kuoi, Victor 1/1 **Non-executive Director** Peter Peace TULLOCH 1/1 **Independent Non-executive Directors** WONG Yue-chim, Richard 1/1 KWOK Eva Lee 1/1 Colin Stevens RUSSEL 1/1 Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company's Articles of Association.
A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	√	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.
A.3	**Board composition** ***Corporate Governance Principle*** *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 151. • The Directors' biographical information and the relationships among the Directors are set out on pages 23 to 25. • 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.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td>A.4.1</td><td>Non-executive directors should be appointed for a specific term, subject to re-election.</td><td>√</td><td>• 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.</td></tr>
<tr><td>A.4.2</td><td>- All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.
- Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</td><td>√
√</td><td>• In accordance with the Company's Articles of Association, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the Board) following their appointment.
• The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting.
• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices.
• The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules.
• Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td>A.5.1</td><td>- 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.</td><td>√</td><td>• 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. Guidelines for directors issued by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.1 (cont'd)	- To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	√	• Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to directors' duties and corporate governance, etc.
A.5.2	The functions of non-executive directors include: - 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. • The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • The Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	√	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I above for details of attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his necessary knowledge and expertise.
A.5.4	- Directors must comply with the Model Code. - Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	√ √	• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008 for replacing the comparable model code adopted by the Company while it was listed on the Growth Enterprise Market of the Stock Exchange. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1 April 2009. • Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31 December 2010. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Personnel Manual of the Company.
A.6	**Supply of and access to information** ***Corporate Governance Principle*** *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.1	- Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting - So far as practicable for other board or board committee meetings	√ √	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.6.2	- Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. - The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	√ √	• The Company Secretary and the Vice President, Finance attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
A.6.3	- All directors are entitled to have access to board papers and related materials. - Steps must be taken to respond as promptly and fully as possible to queries raised by directors.	√ √	• Please see A.6.1 and A.6.2 of Part I above.
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**The level and make-up of remuneration and disclosure** ***Corporate Governance Principle*** *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors	√	• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors. • The Company established its Remuneration Committee on 1 January 2005. • The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. • Since the publication of the Company's 2009 annual report in March 2010, meetings of the Remuneration Committee were held in November 2010 and January 2011. 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 2010/2011; 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 and prevailing market conditions. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.
B.1.3	Terms of reference of the remuneration committee should include: - determine the specific remuneration packages of all executive directors and senior management - review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment - ensure that no director or any of his associates is involved in deciding his own remuneration	√	• The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The terms of reference of the Remuneration Committee are posted on the Company's website. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	• The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**Financial reporting** ***Corporate Governance Principle*** *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	√	• Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	- The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. - There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. - Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. - When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	√ √ √ N/A	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices. • With the assistance of the Company's Finance Department which is under the supervision of the Vice President, Finance who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 44 and 45.
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	√	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2	**Internal controls** ***Corporate Governance Principle*** *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.1	- Directors to review the effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report - The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	√ √	• The Board, through the audit committee of the Company ("Audit Committee"), has conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices. • The Board has overall responsibility for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. ***Organisational Structure*** An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. ***Authority and Control*** The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. ***Budgetary Control and Financial Reporting*** Budgets are prepared and are subject to the approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations. ***Internal Audit*** The Internal Audit Department provides an independent appraisal of the Group's financial and operational activities, and makes constructive recommendations to the relevant management for necessary actions. The results of internal audit reviews and corresponding remedial actions taken are reported to the senior management and Audit Committee periodically. The annual work plan of the Internal Audit Department focuses on those areas of the Group's activities with significant perceived risks and the plan is reviewed and endorsed by the Audit Committee.
C.2.2	The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.	√	• The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in February 2011 and noted that the Company has been in compliance with the Code Provision for the year 2010. Please also refer to C.3.3 of Part I.

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 and July 2010. 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)* — 2/2 KWOK Eva Lee — 2/2 Colin Stevens RUSSEL — 2/2 Note: The members of the Audit Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) or proxies in accordance with the Company's Articles of Association. • The following is a summary of the work of the Audit Committee during 2010: 1. Review of the financial reports for 2009 annual results and 2010 interim results; 2. Review of the findings and recommendations of the Internal Audit Department on the work of various divisions/departments and related companies; 3. Review of the effectiveness of the internal control system; 4. Review of the external auditor's audit findings; 5. Review of the auditor's remuneration; 6. Review of risks of different business units and analysis thereof provided by the relevant business units; and 7. Review of the control mechanisms for such risks and advising on action plans for improvement of the situations. • After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 28 February 2011 that the system of internal controls was adequate and effective. • On 28 February 2011, the Audit Committee met to review the Group's 2010 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 2010 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 2010. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2011 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2011 annual general meeting. • The Group's Annual Report for the year ended 31 December 2010 has been reviewed by the Audit Committee.
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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.3	Terms of reference of the audit committee should include: - recommendation to the board on the appointment and removal of external auditor and approval of their terms of engagement - review and monitor external auditor's independence and effectiveness of audit process - review of financial information of the company - oversight of the company's financial reporting system and internal control procedures, including the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget	√	• The terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been modified from time to time and adopted by the Board, are posted on the Company's website.
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the Code on CG Practices. The latest version of the terms of reference of the Audit Committee is available on the Company's website. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. • The Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The Audit Committee held two meetings in 2010.
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 2011. • For the year ended 31 December 2010, the external auditor of the Company received approximately HK$9,865,000 for audit services and approximately HK$5,339,000 for non-audit services, comprising reporting accountants on acquisition of business of approximately HK$800,000, tax compliance and advisory services of approximately HK$4,419,000 and consultancy services of approximately HK$120,000.
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	√	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 150. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	√	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Chief Executive Officer, management is responsible for the day-to-day operations of the Group.
D.2	**Board Committees** ***Corporate Governance Principle*** *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	• Two Board Committees, namely, Audit Committee and Remuneration Committee, have been established with specific terms of reference as mentioned in C.3.3 and B.1.3 of Part I above.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**Effective communication** ***Corporate Governance Principle*** *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	√	• Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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.	Explain √	• In 2010, the Chairman of the Board, also as the Chairman of the Remuneration Committee, was unable to attend the annual general meeting due to a sudden indisposition. The Chief Executive Officer chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Articles of Association and was available to answer questions. The Chairman of the Audit Committee and all other members of the Remuneration Committee attended the 2010 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 choose (or are deemed to have consented) to receive such documents using electronic means through the Company's website; (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) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.
E.1.3	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.	√	• The Company's notice to shareholders for the 2010 annual general meeting of the Company was sent at least 20 clear business days before the meeting.
E.2	**Voting by poll** ***Corporate Governance Principle*** *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
E.2.1	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	√	• At the 2010 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2010 annual general meeting, the Chairman of the meeting exercised his power under the Company's Articles of Association to put each resolution set out in the notice to be voted by way of a poll. • Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the 2010 annual general meeting. • Since the Company's 2004 annual general meeting, all the resolutions put to vote at the Company's general meetings were taken by poll. • Poll results were posted on the websites of the Company and the Stock Exchange.

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 2010/2011.
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 of the Board and the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors were usually held two times a year at which ample opportunity was provided for reflection of their views and comments to the Board. • Apart from the Audit Committee, the Company has a Remuneration Committee. The principal responsibility of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of its Directors and senior management, which, in line with normal market practice, are only subject to review on an annual basis. It is therefore not necessary for the Remuneration Committee to have four meetings a year as recommended. • The Remuneration Committee held two meetings in respect of the year of 2010. The meeting held in November 2010 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 2011 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.
	A.1.2 All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All members of the Board Committees are consulted as to whether they may want to include any matter in the agenda before the agenda for each Board Committee meeting is issued.
	A.1.3 - At least 14 days notice for regular board meetings	C	• Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend the meetings.
	- Reasonable notice for other board meetings	C	• At least 14 days formal notice would be given before each Board Committee meeting.
	A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	C	• Board Committee members have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board Committees for ensuring that Board Committee procedures, and all applicable rules and regulations, are followed.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (cont'd)	A.1.5 - Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. - 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.
	A.1.7 - A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense - The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her duties to the company.	C C	• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	A.1.8 - 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.	C C	• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable. • In case of conflict of interests, relevant Directors will refrain from voting. Mr. Li Tzar Kuoi, Victor, 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.

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, July and November 2010. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues on a timely manner. • The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	• Please refer to A.2.4 and A.2.5 of Part II above for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in November 2010. Please refer to A.2.2 of Part I above for details of attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors as set out in E.1.2 of Part I above.
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II above for the details.

<table>
<tr><th>Recommended Best Practice Ref.</th><th>Recommended Best Practices</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.3</td><td colspan="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.</td></tr>
<tr><td>A.3.2</td><td>The company should appoint independent non-executive directors representing at least one-third of the board.</td><td>C</td><td>• 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.</td></tr>
<tr><td>A.3.3</td><td>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.</td><td>C

E</td><td>• The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees.

• The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.</td></tr>
<tr><td>A.4</td><td colspan="3">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.</td></tr>
<tr><td>A.4.3</td><td>- 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.</td><td>C

C</td><td>• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.</td></tr>
<tr><td>A.4.4 – A.4.8</td><td>- 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.</td><td>E</td><td>• 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.</td></tr>
</table>

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (cont'd)	- It is recommended that the nomination committee should discharge the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes; (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.		• Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision. • The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.
	- The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board.		
	- The nomination committee should be provided with sufficient resources to discharge its duties.		
	- Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.		• Please refer to A.4.3 of Part II above for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5	**Responsibilities of directors** ***Corporate Governance Principle*** *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.5	All directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development programme.	C	• The Company regularly reminds all Directors of their functions and responsibilities. Through regular Board meetings and the circulation of written resolutions, memos and board papers, all Directors are kept abreast of the conduct, business activities and development of the Company. • A package compiled and reviewed by the Company's legal advisers setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors issued by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to directors' duties and corporate governance, etc.
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.
A.5.7	Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6	**Supply of and access to information** ***Corporate Governance Principle*** *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
There is no recommended best practice under Section A.6 in the Code on CG Practices.			
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**The level and make-up of remuneration and disclosure** ***Corporate Governance Principle*** *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.6	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	C	• A significant proportion of Executive Directors' remuneration has been structured so as to link rewards to corporate and individual performance in 2010. Please refer to note 36 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.7	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	E	• The remuneration payable to senior management represents only a small portion of the turnover or results of the Company. As a matter of practice, disclosing details of the remuneration payable to senior management on an individual basis does not bring significant benefits or provide useful information to the shareholders.
B.1.8	Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**Financial reporting** ***Corporate Governance Principle*** *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.4 – C.1.5	- The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the company. Any such quarterly financial reports should be prepared using the accounting policies applied to the company's half-year and annual accounts.	E	• The Company issued half-yearly financial results within 2 months after the end of the relevant period, and annual financial results within 3 months after the end of the relevant year. In addition, all significant and price-sensitive transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.4 – C.1.5 (cont'd)	- 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.		
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.2.3	The board's annual review should, in particular, consider:		• The Board, through the Audit Committee, reviews annually the effectiveness of system of internal control of the Company and its subsidiaries, such review considers:
	- the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;	C	- the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment;
	- the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;	C	- the management's ongoing monitoring of risks and 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 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	- the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management;
	- 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	- any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and
	- the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.	C	- 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.2.4	The company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items:		• In the Corporate Governance Report, the Company, in particular item C.2.1 of Part I, discloses: - the process of identifying, evaluating and managing the significant risks; - any additional information to assist understanding of the risk management processes and internal control system; - an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness; - the process applied in reviewing the effectiveness of internal control system; and - the process applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and Financial Statements.
	- the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;	C	
	- any additional information to assist understanding of the company's risk management processes and system of internal control;	C	
	- an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness;	C	
	- the process that the company has applied in reviewing the effectiveness of the system of internal control; and	C	
	- the process that the company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.	C	
C.2.5	The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.	C	• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.
C.2.6	The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the company's Corporate Governance Report.	N/A	• Please refer to C.2 of Part I above for the details.
C.3	**Audit Committee** ***Corporate Governance Principle*** *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.7	The terms of reference of the audit committee should also require the audit committee:		
	- 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.

<table>
<tr><th>Recommended Best Practice Ref.</th><th>Recommended Best Practices</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>C.3.7 (cont'd)</td><td>- to act as the key representative body for overseeing the company's relation with the external auditor.</td><td>C</td><td></td></tr>
<tr><td>D.</td><td colspan="3">DELEGATION BY THE BOARD</td></tr>
<tr><td>D.1</td><td colspan="3">Management functions

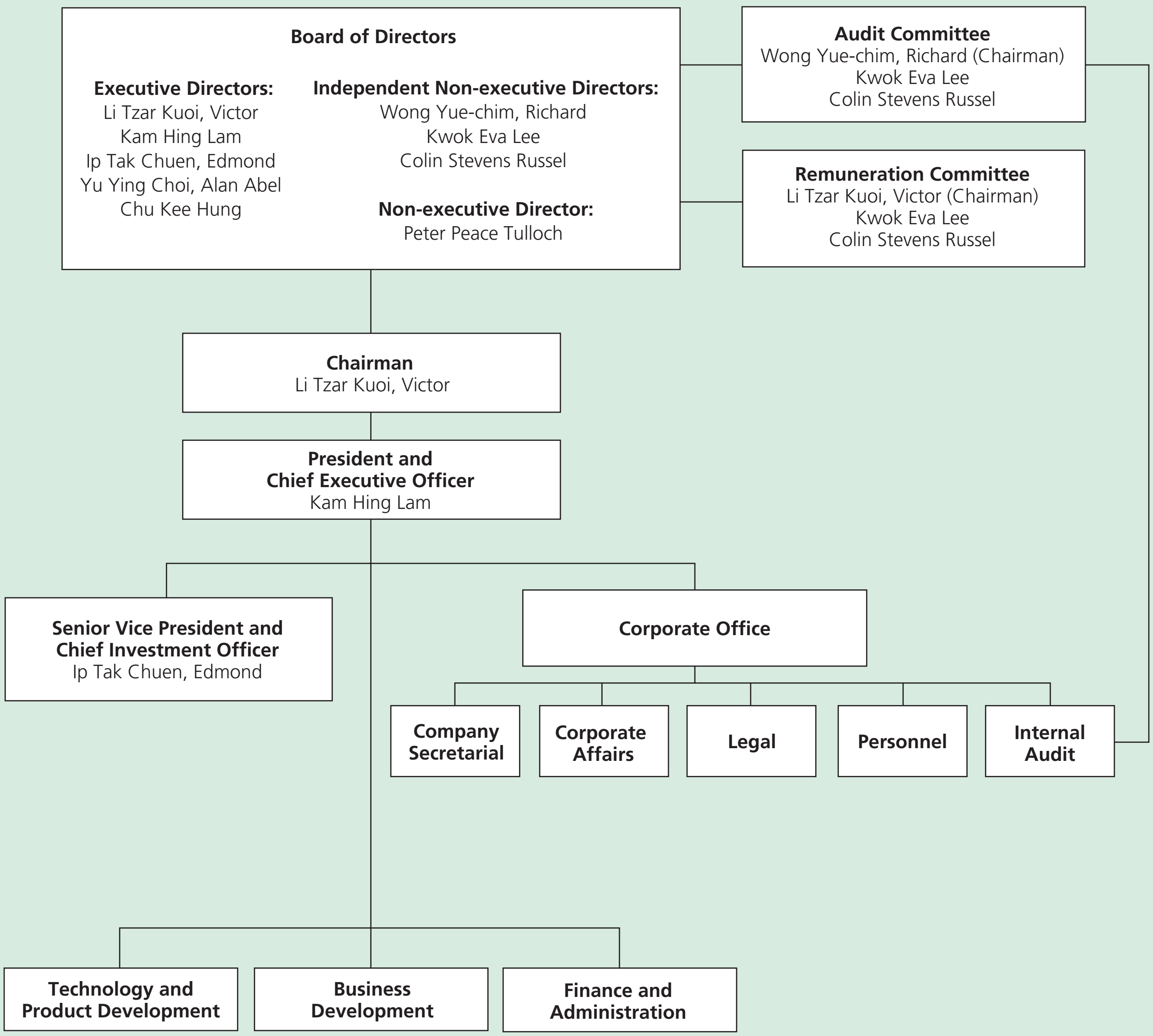
Corporate Governance Principle
The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.</td></tr>
<tr><td>D.1.3</td><td>The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.</td><td>C</td><td>• Please refer to the Management Structure Chart set out on page 150.</td></tr>
<tr><td>D.1.4</td><td>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.</td><td>E</td><td>• 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. To have a formal letter of appointment may also lead to inflexibility.</td></tr>
<tr><td>D.2</td><td colspan="3">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.</td></tr>
<tr><td colspan="4">There is no recommended best practice under Section D.2 in the Code on CG Practices.</td></tr>
<tr><td>E.</td><td colspan="3">COMMUNICATION WITH SHAREHOLDERS</td></tr>
<tr><td>E.1</td><td colspan="3">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.</td></tr>
<tr><td colspan="4">There is no recommended best practice under Section E.1 in the Code on CG Practices.</td></tr>
<tr><td>E.2</td><td colspan="3">Voting by poll

Corporate Governance Principle
The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</td></tr>
<tr><td colspan="4">There is no recommended best practice under Section E.2 in the Code on CG Practices.</td></tr>
</table>

MANAGEMENT STRUCTURE CHART



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

AUTHORISED REPRESENTATIVES
IP Tak Chuen, Edmond
Eirene YEUNG

COMPLIANCE OFFICER
YU Ying Choi, Alan Abel

VICE PRESIDENT, FINANCE
MO Yiu Leung, Jerry

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Canadian Imperial Bank of Commerce
Commonwealth Bank of Australia
Royal Bank of Canada

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISERS
Woo, Kwan, Lee & Lo
Baker & McKenzie

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

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

PRINCIPAL PLACE OF BUSINESS
7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CORPORATE INFORMATION AND KEY DATES (CONT'D)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODES

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

WEBSITE

www.ck-lifesciences.com

KEY DATES

Annual Results Announcement	28 February 2011
Closure of Register of Members	12 to 19 May 2011 *(both days inclusive)*
Annual General Meeting	19 May 2011
Record Date for Final Dividend	19 May 2011
Payment of Final Dividend	24 May 2011

This annual report 2010 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to cklife.ecom@computershare.com.hk.

The Annual Report (both English and Chinese versions) has been posted on the Company's website at www.ck-lifesciences.com. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Annual Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company's Branch Share Registrar or by email to cklife.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to cklife.ecom@computershare.com.hk promptly be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to cklife.ecom@computershare.com.hk.

CK Life Sciences Int'l., (Holdings) Inc.

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www.ck-lifesciences.com

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