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)

Quality Living

Annual Report 2011

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.

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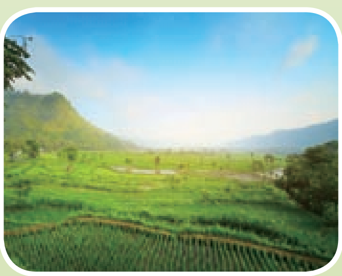

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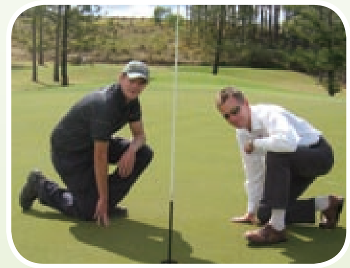

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Chairman's Statement

HK$ Million	**2011**	2010	Variance
Profit before fair value changes on financial instruments	**219.5**	207.6	+6%
Fair value changes on financial instruments	**(93.7)**	1.0	N/A
Profit attributable to shareholders	**125.8**	208.6	-40%

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved a steady operational performance for the year ended 31 December 2011. Profit before fair value changes on financial instruments was HK$219.5 million, representing a 6% improvement over last year.

Profit attributable to shareholders of the Company was HK$125.8 million. This is lower than the HK$208.6 million reported last year due to negative fair value changes on financial instruments.

It is worth noting that adverse fair value changes on financial instruments represent an accounting entry and have no immediate impact on CK Life Sciences' cashflow.

The Board of Directors has recommended a final dividend of HK$0.005 per share for the year ended 31 December 2011, same as last year. The proposed dividend will be paid on 11 June 2012 following approval at 2012 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on 30 May 2012.

AGRICULTURE-RELATED BUSINESS BOOSTED BY ACQUISITIONS

Agriculture-related business experienced solid growth in 2011, reporting revenue of HK$1,214 million.

2011 marked CK Life Sciences' expansion into the vineyard industry. In February 2011, the Company acquired approximately 72% of Challenger Wine Trust ("CWT") for A$33.08 million (approximately HK$260 million). After the acquisition, CK Life Sciences has become the second largest vineyard owner in Australasia.

In October 2011, CK Life Sciences further expanded its vineyard investment and acquired the Qualco West Vineyard for A$10.6 million (approximately HK$84.6 million).

The vineyard assets are backed by long-term tenancy agreements, and have generated immediate and stable cashflow for the Company.

Other agriculture-related businesses in Australia, Mainland China and Asia achieved steady performance during the year under review.

NUTRACEUTICAL BUSINESS ACHIEVED GOOD PERFORMANCE

In 2011, nutraceutical business generated sales of HK$2,287.5 million.

CK Life Sciences' nutraceutical portfolio comprises Santé Naturelle A.G. Ltée in Canada, Vitaquest International Holdings LLC in the United States, and Lipa Pharmaceuticals Limited in Australia.

Operating EBITDA of all these businesses has shown double-digit growth.

ENCOURAGING PROGRESS IN R&D

CK Life Sciences' R&D activities progressed well during the year under review.

In Canada, WEX Pharmaceuticals Inc. ("WEX Pharma") was privatised in May 2011, and has since been wholly owned by CK Life Sciences.

WEX Pharma's tetrodotoxin ("TTX")-based cancer pain management product continues its Phase III clinical trial in Canada. A pharmacokinetic study is also ongoing in the United States, with additional plans to commence a Phase II clinical trial in the United States in 2012 to evaluate TTX for chemotherapy-induced neuropathic pain.

Research on the melanoma vaccine for the treatment of skin cancer carried out by the Company's U.S. subsidiary Polynoma LLC ("Polynoma") has made milestone progress.

During the year, the U.S. Food and Drug Administration (FDA) approved Polynoma's Phase III clinical trial protocol under a Special Protocol Assessment agreement, a process that can support the future registration and launching of the product.

In December 2011, Polynoma submitted an Investigational New Drug application to the FDA for Phase III clinical testing of its melanoma vaccine in the United States. This application was accepted in January 2012. This makes CK Life Sciences one of the few Asian companies to obtain clearance from the FDA to commence Phase III clinical testing of a new drug. Plans are currently underway to begin the Phase III clinical trial within several months.

In addition to planning for the Phase III clinical trial, Polynoma also commenced preclinical tests of the vaccine to see if it could work for other cancer indications like lung cancer and breast cancer.

SUBSEQUENT EVENT

In February 2012, CK Life Sciences completed the acquisition of the businesses of Peaty Trading Group ("Peaty") in Australia for a consideration of A$31.34 million (approximately HK$252 million).

Peaty is the second largest supplier of products and services in the professional turf management industry and the pest management industry in Australia. This acquisition has good growth potential and will provide CK Life Sciences with immediate cashflow contributions. It will also bring to the Company an extensive customer base and distribution network, strengthening its market coverage and enabling synergy to be achieved in relation to sales and costs.

PROSPECTS

We are optimistic about the prospects of our businesses going forward.

The recent acquisitions of CWT, Qualco West Vineyard and Peaty in Australia are poised to expand the reach of our agriculture-related business and boost our earnings.

It is also expected that our revenue stream would continue to be enhanced by organic growth from existing businesses.

With cash and liquid assets on hand of HK$1,072.6 million and a net debt to equity ratio of 32.74%, we will continue to seek new investment opportunities around the world for further expansion.

On the R&D front, the FDA's approval of the Phase III clinical testing of our melanoma vaccine has brought us to a new research milestone and a major step closer to the commercialisation of the melanoma vaccine.

The Company's fundamentals are sound and business operations are solid. We are well in place to drive further growth in the future.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 7 March 2012

AGRICULTURE-RELATED BUSINESS

2011 was a milestone year for CK Life Sciences' agriculture-related business. The Company acquired majority ownership of Challenger Wine Trust and became the second largest vineyard owner in Australasia. This was followed closely by the purchase of the 500-hectare Qualco West Vineyard, and the 2012 acquisition of Peaty Trading Group, the second largest supplier of products and services in the professional turf management industry and the pest management industry in Australia.

CHALLENGER WINE TRUST

2011 marked CK Life Sciences' expansion into the vineyard industry. In February, the Company acquired 72.26% of Challenger Wine Trust ("CWT"), a listed unit trust in Australia, for A$33.08 million (approximately HK$260 million) and became the second largest vineyard owner in Australasia. CWT has a portfolio of over 5,000 hectares of land. It currently comprises 17 vineyards, one winery and various water rights in Australia and New Zealand.

The majority of the vineyard assets are backed by long-term tenancy agreements, generating immediate cash flow for CK Life Sciences.

During the year, CWT undertook a substantial upgrade on one of its larger vineyards – Crownthorpe in the North Island of New Zealand. Working alongside the tenant, Delegat Wines, CWT built frost fans across the vineyard. These fans will enable frost prevention, enhance cost efficiency, and improve the quality and yield of the grapes. On other vineyards, further investments were made to upgrade irrigation electronic systems and soil-moisture probes to reduce water use.

In addition, to ensure that the vineyards remain competitive in the world market, efforts were made to assist tenants with grape variety changes so that the vineyards meet future wine consumers' tastes.

QUALCO WEST

In October 2011, CK Life Sciences acquired the Qualco West Vineyard in South Australia for A$10.6 million (approximately HK$84.6 million), further expanding its vineyard portfolio's area by around 10%.

Spanning over 500 hectares of land, Qualco West Vineyard is located in the Riverland wine region in South Australia. The Riverland wine region is Australia's largest wine grape producing region, accounting for about one quarter of the country's wine grape production in 2010.

Qualco West Vineyard is currently leased to a long term tenant. This portfolio offers CK Life Sciences stable income and a high rental return.

In 2011, CK Life Sciences acquired Challenger Wine Trust and became the second largest vineyard owner in Australasia.

Amgrow has three business units – Home Garden, Agriculture/Horticulture, and Professional Turf.

AMGROW

During the year, CK Life Sciences' Australian agriculture-related businesses which serve the home garden, golf and turf, horticulture and broadacre markets were consolidated under Amgrow Pty Ltd ("Amgrow") to increase market visibility.

Amgrow comprises three discrete business units: (i) the Home Garden unit provides an extensive range of products to gardeners; (ii) the Agriculture/Horticulture unit offers a range of products for rural retailers as well as the farming community; and (iii) the Professional Turf unit distributes products and agronomic services to the turf and amenity horticulture industry.

2011 was a year focused on product development and innovation within the Amgrow business. Many new research and development activities were initiated during the year with particular emphasis on the amenity horticulture and home garden segments. These projects will provide a strong platform for the business to reap rewards in the years to come.

Some of the development initiatives have led to the expansion of Amgrow's commercial pack portfolio of products, improving the Professional Turf retail arm's market competitiveness whilst maximising profit. In addition to expanding its product portfolio through internal development, Amgrow continued to work closely with its valued manufacturer base to introduce new and unique products.

Meanwhile, Amgrow's Professional Turf business achieved excellent growth within its core business segments. New market segments were also explored, with continued efforts going into growing sectors such as landscape contractors, nurseries and hydroseeding companies.

ACCENSI

Accensi Pty Ltd ("Accensi") is a leading independent toll manufacturer of crop protection products in Australia. With production facilities in Western Australia and Queensland, it manufactures a wide range of products for local and international companies. Other services provided by Accensi include technical formulation development, storage and distribution.

Accensi is a leading independent toll manufacturer of crop protection products in Australia.

In 2011, despite a challenging operating environment characterised by devastating floods in the east, a prolonged drought in the west and a severe cyclone causing extensive damage in north Queensland, Accensi continued to show solid growth.

Accensi's services also include technical formulation development, storage and distribution.

Research and development efforts yielded exciting progress during the year. Many new formulations and products were developed and registered for sale, including a range of pest control and home garden products designed to outperform competitive products in the market.

Accensi's business is based on independent and co-operative affiliations with key players in Australia's crop protection market, and 2011 presented opportunities to strengthen and expand these strategic partnerships. Accensi solidified its position with several key crop protection companies, and negotiated arrangements to become their main Australian formulator.

PEATY

In February 2012, CK Life Sciences completed the acquisition of the businesses of Peaty Trading Group ("Peaty") in Australia for a consideration of A$31.34 million (approximately HK$252 million).

Peaty's businesses encompass a vertically integrated producer, wholesaler and distributor of plant protection, specialty fertilisers and pest control products for the professional turf, agricultural, horticultural and urban pest control markets with operations across Australia.

Having served the Australian agriculture market for over 55 years, Peaty is the second largest supplier of products and services in the professional turf management industry and the pest management industry.

CK Life Sciences acquired Peaty Trading Group, the second largest supplier of products and services in the professional turf management industry and the pest management industry.

This acquisition is poised to strengthen CK Life Sciences' market coverage in its agriculture-related business in Australia. With an immediate cash flow contribution, Peaty will bring to the Company an extensive customer base and distribution network. It is expected that synergy will also be achieved in relation to sales and costs, bringing substantial operation and financial efficiency to CK Life Sciences' existing agriculture businesses in Australia.

GREEN VISION

CK Life Sciences' agriculture-related businesses in Mainland China are operated under Nanjing Green Vision EcoSciences Inc. ("Green Vision").

Green Vision is an innovator in the country's fertiliser market. It specialises in formulating, manufacturing and marketing a range of agriculture input solutions that enable farmers to reduce traditional chemical fertiliser usage as well as improve output performance and competitiveness.

Green Vision's products are marketed in the Mainland's agricultural provinces, and are also exported to the United States, Australia and several countries in Asia.

During the year under review, Green Vision's business experienced solid growth in sales volume and an increase in turnover. A record high sales performance was recorded in its Malaysian market in particular.

Green Vision specialises in formulating, manufacturing and marketing a range of agriculture input solutions.

NUTRACEUTICAL BUSINESS

During the year, CK Life Sciences' nutraceutical operations in North America, Australia and Asia recorded double-digit growth in operating EBITDA.

SANTÉ NATURELLE

Santé Naturelle A.G. Ltée ("Santé Naturelle") is one of the oldest and largest natural health companies in Québec, Canada. Offering a range of around 150 products under the brand *Adrien Gagnon*, Santé Naturelle has established itself as a leader in high quality and effective nutraceutical products in the province. Santé Naturelle was one of the first brands to obtain Natural Product Numbers (NPNs) in Health Canada's new regulatory regime for ensuring veracity of product claims and quality in health supplements. It remains one of the brands with the largest number of NPNs, maintaining market share in key product segments such as heart health and sleep and anti-stress.

Santé Naturelle was one of the first brands to obtain Natural Product Numbers (NPNs) in Health Canada's new regulatory regime.

During the year, Santé Naturelle continued to introduce more products into the market in Québec, including the launching of non-glucosamine based formulations for joint health. Outside Canada, CK Life Sciences further expanded the geographic coverage of Santé Naturelle's products in Asia, Middle East and Africa under the brand, *AG Natural Health*.

VITAQUEST

Vitaquest International Holdings LLC ("Vitaquest") is a leading custom contract nutraceutical manufacturer in the United States, producing quality health supplements for the leading names in multi-level marketing and nutritional product distribution. Its manufacturing and sourcing capability covers an array of product formats including tablets, capsules, powders and pouches, liquids, creams and lotions. Vitaquest is also involved in product concept, formulation, packaging and marketing development.

In 2011, Vitaquest rolled out a number of new product formulations, and revamped its powder operations to increase the number of packaging formats to include jars, sachets, stickpacks and vials. It developed a highly specialised form of "cold forming" blister packaging in response to demand from key customers, and entered into agreements with customers to set up custom facilities for the production of formulations which incorporate SAM-e, a material that contributes to maintenance of mood balance.

Vitaquest is a leading custom contract nutraceutical manufacturer in the United States.

To increase competitiveness, investments were made in quality testing equipment and personnel during the year. Vitaquest also re-engineered labour scheduling to achieve a 25% gain in throughput, and streamlined the customer quotation process.

Quality systems and operational procedures were upgraded to keep pace with evolving regulatory requirements. During that year, the U.S. Food and Drug Administration (FDA) completed an audit of Vitaquest's facilities.

LIPA

Supplying over 30% of the Australian market, Lipa Pharmaceuticals Limited ("Lipa") is a leading contract manufacturer of complementary healthcare medicines, vitamins and nutritional supplements. In addition, it manufactures a range of non-sterile prescription and over-the-counter medicine.

In 2011, Lipa achieved growth of over 50% with two key customers. Revenue was increased and market penetration widened as new innovative products were launched. Product differentiation lies in the formulation and delivery systems, especially in the improvement of age-related conditions.

To gain competitive advantage, internal and external supply processes were streamlined to accelerate product launch and supply responses. Enhanced cooperation and coordination between Lipa's internal systems and those of its customers allowed Lipa to become a virtual internal supply partner of the customers.

New and improved compressing and packaging technologies, especially packaging dosage formats, were adopted to generate higher labour and material efficiencies. Continuing efforts in consolidation and development of key local supply partners, as well as leveraging direct sourcing opportunities in Europe and Asia, have enabled Lipa to maintain tight control over material costs.

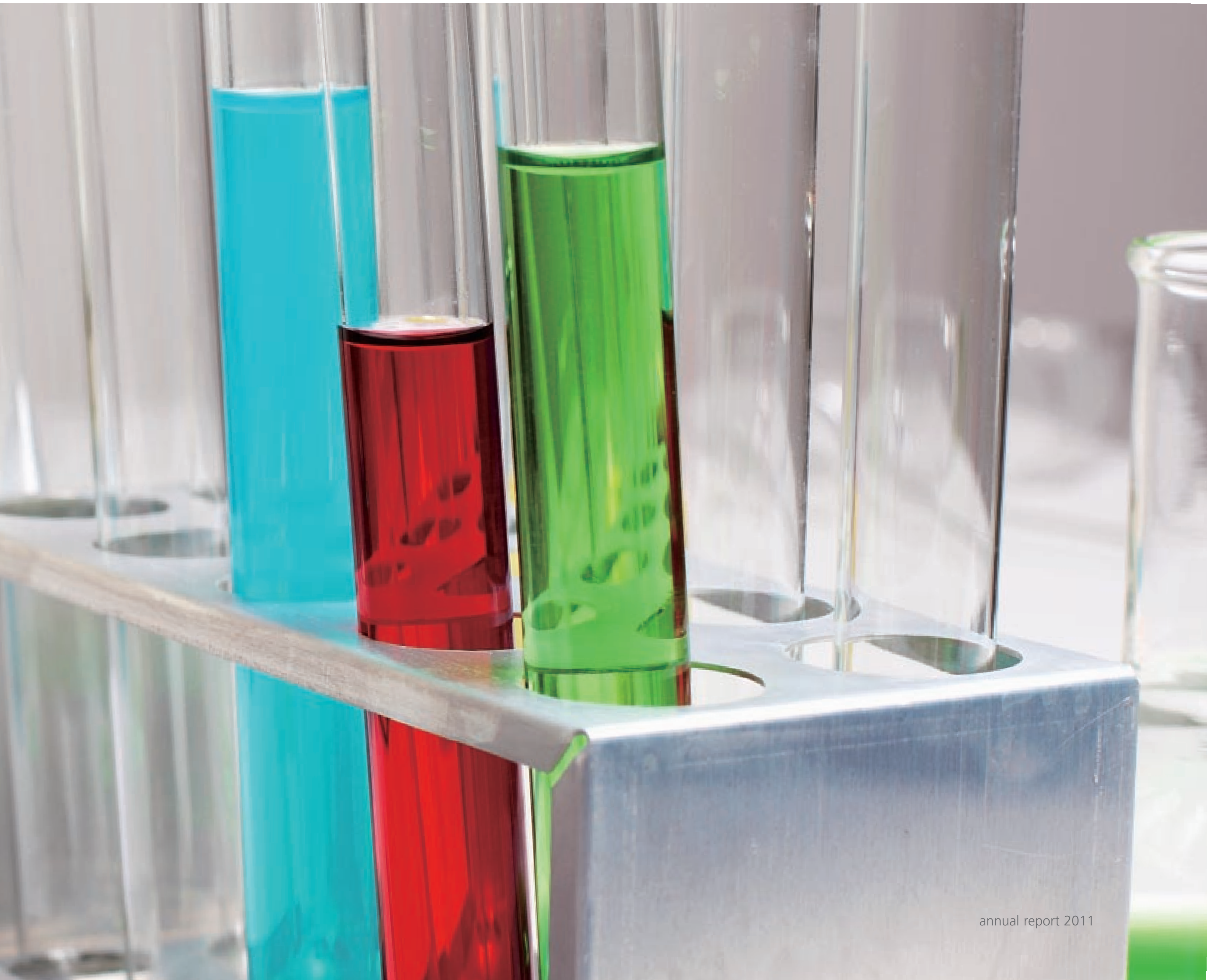
A number of overseas and local customers and their respective country regulators had completed audits of Lipa's facilities in 2011.

During the year, plans were drawn up for the development of additional capacity and for expansion.

Lipa supplies products to over 30% of the Australian nutraceutical market.

PHARMACEUTICAL BUSINESS »

CK Life Sciences' pharmaceutical operations focus primarily on cancer and cancer-related conditions. Two pharmaceutical inventions are now in late-stage clinical development. The U.S. Food and Drug Administration (FDA) granted clearance for the Investigational New Drug (IND) application of the melanoma vaccine, allowing Phase III clinical testing of the product. In Canada, patient enrollment for Phase III clinical trial of the pain management product is progressing well.



POLYNOMA

CK Life Sciences is making progress in cancer immunotherapy through its subsidiary Polynoma LLC ("Polynoma") in the United States. Polynoma is an oncology-focused biotechnology company based in the United States. It is currently developing a therapeutic vaccine for the treatment of melanoma. Using a combination of antigens from three proprietary melanoma cell lines, the vaccine is intended to stimulate the body's immune system to fight skin cancer.

Research on the melanoma vaccine achieved major milestones in 2011.

During the year, the U.S. Food and Drug Administration (FDA) approved Polynoma's Phase III clinical trial protocol under a Special Protocol Assessment ("SPA") agreement. An SPA is an agreement between the FDA and the applicant that a proposed protocol's design and analysis plan are acceptable to the FDA as support for potential future approval of a drug, biologic or vaccine, if the results of the clinical trial are positive. It is a process that can support the future registration and launching of the product.

In December 2011, Polynoma submitted an Investigational New Drug (IND) application to the FDA to seek clearance for the Phase III clinical testing of its melanoma vaccine in the United States. This clearance was granted in January 2012, making CK Life Sciences one of a few Asian companies to obtain clearance from the FDA to commence Phase III clinical testing of a new drug.

Plans are now underway to begin the Phase III clinical trial within several months.

Malignant melanoma is the most serious form of skin cancer. An estimated 132,000 new cases of melanoma are diagnosed annually in the world, with about 76,000 in the United States alone. The melanoma market is estimated to be in excess of US$1 billion, with the United States and Europe being the major markets.

In addition to melanoma, Polynoma also commenced preclinical tests to evaluate the effectiveness of the vaccine in other cancer indications such as lung cancer and breast cancer.

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

FDA cleared Polynoma's IND application for its melanoma vaccine, making CK Life Sciences one of a few Asian companies to obtain clearance from the FDA to commence Phase III clinical testing of a new drug.

WEX PHARMA

WEX Pharmaceuticals Inc. ("WEX Pharma") is a Vancouver-based company dedicated to the discovery, development, manufacture and commercialisation of innovative drug products to treat pain. The company was privatised in May 2011, and has since been wholly owned by CK Life Sciences.

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. Patient enrollment for this clinical trial has been progressing well. A pharmacokinetic study is also ongoing in the United States.

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 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, and is being developed to fulfil a significant unmet medical need in cancer patients with moderate to severe pain.

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

Financial Summary

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Consolidated results summary					
Turnover	2,091,592	2,991,797	2,678,889	2,694,204	**3,511,563**
Profit/(loss) attributable to shareholders of the Company	117,001	(351,768)	187,098	208,551	**125,826**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Consolidated statement of financial position summary					
Non-current assets	5,009,065	4,558,080	4,863,285	5,213,752	**6,624,522**
Current assets	1,930,920	1,645,646	2,035,288	2,174,775	**2,185,713**
Current liabilities	(884,144)	(716,277)	(694,292)	(1,702,067)	**(922,279)**
Non-current liabilities	(789,109)	(1,102,577)	(1,127,713)	(64,007)	**(2,255,398)**
Total net assets	5,266,732	4,384,872	5,076,568	5,622,453	**5,632,558**
Equity attributable to shareholders of the Company	5,151,313	4,270,768	4,905,358	5,511,526	**5,368,759**
Non-controlling interests of subsidiaries	115,419	114,104	171,210	110,927	**263,799**
Total equity	5,266,732	4,384,872	5,076,568	5,622,453	**5,632,558**

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2011, 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 other sources such as borrowings from banks and major shareholders.

The financing from banks and major shareholders was mainly for the purpose of acquiring the Group's overseas businesses as well as providing general working capital for some of the overseas businesses. As at 31 December 2011, the total borrowings from banks and major shareholders amounted to HK$1,691,606,000 and HK$500,000,000, respectively. The increase in borrowings during the year is mainly due to the completion of the acquisition of CWT (as defined below) in the current year. Most of these borrowings are principally on a floating interest rate basis and were granted based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, as at 31 December 2011, certain assets of the Group's overseas subsidiaries with carrying value of HK$1,651,927,000 were pledged as part of the security for bank borrowings totalling HK$743,606,000. The total finance costs of the Group for the year were HK$89,164,000.

At the end of 2011, the total assets of the Group were about HK$8,810,235,000, of which bank balances and time deposits were about HK$471,615,000 and treasury investments were about HK$600,936,000. The bank interest generated for the year was HK$11,053,000. The total loss arising from the Group's investment segment for the year was HK$54,729,000.

The total net assets of the Group as at 31 December 2011 were HK$5,632,558,000, representing HK$0.59 per share. The gearing ratio of the Group as at 31 December 2011 was approximately 32.74%, which is calculated as the Group's net borrowings over the equity attributable to shareholders of the Company. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to interest rates fluctuation. It would monitor its overall net debt position closely, review its funding costs and maturity profile regularly and take necessary actions to facilitate refinancing whenever appropriate.

MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In February 2011, the Group completed the acquisition of approximately 72.26% interests in Challenger Wine Trust ("CWT"), 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 (the "Listing Rules"). Details of the transaction were disclosed in note 39 to the consolidated financial statements of this annual report and the circular of the Company dated 31 December 2010.

In May 2011, the Group also completed the privatisation process of its Canadian listed subsidiary named Wex Pharmaceuticals Inc. ("Wex") (the "Privatisation"). Total cash consideration incurred in the process is approximately CAD7,048,000 (approximately HK$56,103,000). The principal activity of Wex is the discovery, development, manufacturing and commercialisation of innovative drug products to treat pain. Upon the completion of the Privatisation, Wex was delisted from Toronto Stock Exchange and the Group's interests in it increased from 88.69% to 100%.

Other than the aforementioned, there was no material acquisition/disposal during the year under review.

Subsequent to the reporting period, in February 2012, the Group completed the acquisition of entire interests in a group of Australian companies, which collectively form a vertically integrated producer, wholesaler and distributor of plant protection, specialty fertilisers and pest control products in Australia. The transaction constitutes a discloseable transaction under the Listing Rules. Details of the transaction were disclosed in note 42 to the consolidated financial statements of this annual report and the announcement of the Company dated on 4 January 2012.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$145,454,000 in 2011.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2011, the total capital commitments by the Group amounted to HK$2,930,000 which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and building improvement.

INFORMATION ON EMPLOYEES

The total number of full-time employee of the Group was 1,157 at the end of 2011, and is 11 less than the total headcount of 1,168 at the end of 2010. The total staff costs, including directors' emoluments, amounted to approximately HK$704.7 million for the year under review, which represents an increase of 15% 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 2011 (2010: Nil).

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 47, has been the Chairman of the Company since April 2002. He has been a member of the Remuneration Committee of the Company since March 2005 and acted as the Chairman of the Remuneration Committee of the Company from March 2005 to December 2011. 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, 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, the 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, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 65, 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. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. 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, and a director of certain companies controlled by a substantial shareholder of the Company.

IP Tak Chuen, Edmond, aged 59, 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, Real Nutriceutical Group 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, a Director of ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust which is listed in Singapore, and a Non-executive Director of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. 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, and a director of certain companies controlled by certain substantial shareholders of the Company.

YU Ying Choi, Alan Abel, aged 56, 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. 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 67, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. 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 68, 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, and a director of 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 59, 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, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and the Hong Kong Mercantile Exchange Limited ("HKMEx"). Except for HKMEx, all the companies mentioned above are listed companies. Professor Wong is also an Independent Non-executive Director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is listed in Hong Kong. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Company in June 2002 and is the Chairman of the Audit Committee of the Company.

KWOK Eva Lee, aged 69, 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. She is a member of the Audit Committee and the Remuneration Committee of the Company, and has been appointed as the Chairman of the Remuneration Committee of the Company on 1 January 2012.

RUSSEL, Colin Stevens, aged 71, 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 54, is Vice President, Nutraceuticals Development, of the Company, and is responsible for leading and coordinating the Company's 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 51, 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 20 years of experience in the engineering, investment and agriculture fields. Prior to joining the Company in June 2000, he was General Manager of Shanghai YongSun Modern Agriculture Development Company, a Chinese joint venture company.

CHOY Wai Nang, aged 65, is Director, Preclinical Development, of the Company. Dr. Choy holds a Bachelor of Science degree from The Chinese University of Hong Kong; a Doctor of Philosophy degree from Rutgers, The State University of New Jersey, USA; and a postdoctoral fellowship from The Johns Hopkins University School of Medicine, USA. He is also a Diplomate of the American Board of Toxicology. Dr. Choy has over 25 years of experience in the field of new drug development gained from working at multinational research-based pharmaceutical corporations in the USA, including 15 years at senior level positions at Schering-Plough (now known as Merck), where he worked 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).

HO Wai Man, Bonita, aged 46, is Business Development Director of the Company. She holds a Master of Business Administration degree from Richard Ivey School of Business, The University of Western Ontario, Canada, and a Bachelor of Commerce degree in Accounting from The University of Birmingham, UK. She is also a Chartered Financial Analyst of the CFA Institute. Ms. Ho has 18 years of experience in corporate finance in both Hong Kong and Canada. She has worked in a number of multinational corporations, including Midland Walwyn Capital (now known as Merrill Lynch Canada), Bankers Trust (now known as Deutsche Bank) and Hong Kong Exchanges and Clearing Ltd. Prior to joining the Company in February 2004, she was Associate Director of the Hong Kong Branch of Rabobank.

HON King Sang, Dennis, aged 57, 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.

LEE Mai Kuen, Jane, aged 52, 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 the University of Leicester, UK. She has over 25 years of experience in human resource management gained from working for 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 56, is Director, Product Development, of the Company. He holds a Doctor of Philosophy degree in Chemical Engineering from the 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 optimisation, as well as scale-up and validation for agricultural, environmental, pharmaceutical 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 52, 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 the 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 the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in financial management, accounting and auditing in 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 45, is Vice President, Pharmaceutical Development, of the Company. Dr. Toh has an MBBS medical degree from the National University of Singapore and is registered with the Singapore Medical Council and the General Medical Council, UK. He also holds a Master of Science degree in Epidemiology from the 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 at 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 51, is Chief Corporate Affairs Officer and is responsible for the overall corporate activities of the Company, including public relations and corporate communications. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and Cheung Kong Infrastructure Holdings Limited as well as the Chief Corporate Affairs and Investor Relations Officer of Hui Xian Asset Management 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 41, 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 42, 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 the Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. Ms. Yan has over 15 years of experience in auditing and finance. She has worked with Ernst & Young and various listed corporations in industries including 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 listed real estate agency.

YEUNG, Eirene, aged 51, 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 46, 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 49, is Chief Executive Officer of Accensi Pty Ltd and is responsible for the Company's crop protection business in Australia. He is a Fellow of the Australian Institute of Company Directors and has successfully completed their Graduates Course. Mr. Corbett has over 25 years of experience in the crop protection industry, most of which was spent at Accensi Pty Ltd (formerly A&C Chemicals Pty Ltd), where he was promoted to CEO in 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 47, 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 55, is President and Chief Executive Officer of WEX Pharmaceuticals Inc., and is responsible for the Company's development and commercialisation of innovative drug products, primarily for pain management, in Canada. Dr. Huang received her Ph.D. in Cell Biology from the University of East Anglia, UK, and her Master of Business Administration degree from the University of Toronto, Canada. She has extensive senior executive management experience. Prior to joining WEX in November 2007, Dr. Huang was CEO of GeneHarbour Technologies (Hong Kong), President & Chief Executive Officer of Cytovax Biotechnologies Inc. in Canada, and Vice President of Business Development at Monsanto Canada. She was also a top-ranking biotech analyst in Canada during her time as a partner at GMP Securities.

OPACIC, Bob, aged 56, is Chief Executive Officer of Amgrow Pty Ltd. and is responsible for the Company's operations which serve the agriculture, horticulture, golf and turf, and home garden markets in Australia. A Master of Business Administration graduate, Mr. Opacic holds a Postgraduate Diploma in Finance and a Diploma in Accounting. He is also an associate of The Institute of Chartered Secretaries and Administrators. In 1996, Mr. Opacic was appointed General Manager of Envirogreen Pty Ltd., one of Amgrow Pty Ltd's constituent companies which was a joint venture between Brambles and CSR. 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 52, is Chief Executive Officer of Lipa Pharmaceuticals Ltd. and is responsible for the Company's health supplements and OTC pharmaceuticals operations in Australia. He joined Lipa in June 2006 and took over the role of Chief Executive Officer in August 2007 prior to the acquisition of Lipa by the Company in November 2007. He holds a Master's degree in Business Administration and a Bachelor's degree in Chemistry. He is a Fellow of the Australian Institute of Management and a Board Member of the Complementary Health Care Council of Australia. Mr. Pejnovic has extensive senior executive management experience gained from working for various large and medium-sized, local and international corporations engaged in a diverse range of businesses, including pharmaceuticals, foods, confectionery, industrial FMCG, and B2B services.

TONG, Victor, aged 61, is Chief Financial Officer of CK Life Sciences (North America) Inc., and Executive Vice President of Vitaquest International LLC. He oversees the accounting, financial reporting and financial management functions of the Company's North American subsidiaries and associate companies. 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 has been 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, working with global firms such as BMO Nesbitt Burns, HSBC and Deloitte. His areas of specialisation are corporate finance as well as mergers and acquisitions.

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 2011.

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 2011 are set out in the consolidated income statement on page 47.

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 16 to the consolidated financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 32 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 51.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 22.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 154 and their biographical information is set out on pages 25 to 27.

In accordance with the Company's Articles of Association, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Peter Peace Tulloch, Professor Wong Yue-chim and Mrs. Kwok Eva Lee will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors had 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 considered 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 of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2011, 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 2011 were as follows:

		Number of share options						
Name of Director	Date of grant	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2011	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 2011, 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 2011, 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 2011, options to subscribe for an aggregate of 8,682,225 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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2011	Option period	Subscription price per share HK$
30/9/2002	1,551,682	–	–	(65,192)	–	1,486,490	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	3,628,159	–	–	(157,360)	–	3,470,799	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	3,889,040	–	–	(164,104)	–	3,724,936	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 2011, 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 2011, 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	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)
	Real Nutriceutical Group Limited *(formerly known as 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 2011 under the Listing Rules:

(1) Lease Agreements

On 1 March 2005 and 5 May 2009, Vitaquest International LLC ("Vitaquest"), 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

* On 1 June 2011, an agreement was entered into by Vitaquest, Leknarf and an independent third party under which Vitaquest, with the consent of Leknarf, assigned this lease agreement dated 1 March 2005 to the independent third party.

During the year, the rentals paid to Leknarf for the leases under the Lease Agreements amounted to US$251,023 (HK$1,958,000), US$1,238,309 (HK$9,659,000), US$250,405 (HK$1,953,000) and US$636,696 (HK$4,966,000) 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, which has expired on 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 ended 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$30,000 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$24,941,000 and HK$2,498,000 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.

The Continuing Connected Transaction II were renewed for a further three years up to 31 December 2014 as disclosed in the announcement of the Company dated 15 December 2011.

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 2011 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 2011 (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 2011, 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 22 August 2011, Ample Castle Limited ("Ample"), an indirect wholly-owned subsidiary of the Company, as borrower and the Company together with Isnecca Pty Limited, Accensi Pty Ltd, Apil Healthcare Int'l Pty Ltd, Lipa Pharmaceuticals Ltd and Amgrow Pty Ltd, all being indirect wholly-owned subsidiaries of the Company, as guarantors entered into a facility agreement (the "Agreement") with Commonwealth Bank of Australia, Singapore Branch ("CBA Singapore") under which a 3-year term loan of HK$480 million (the "Facility") was granted to Ample by CBA Singapore for the purpose of loan refinancing. As at 31 December 2011, the outstanding balance of the Facility amounted to HK$480 million. The Agreement requires at least 44.01% direct or indirect interest in the Company to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). The obligation has been complied with.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2011 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 132 to 134.

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, 7 March 2012

Deloitte.
德勤

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

We have audited the consolidated financial statements of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 122, which comprise the consolidated statement of financial position as at 31 December 2011 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 information.

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 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 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 Group's state of affairs as at 31 December 2011, and of its 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

7 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	6	**3,511,563**	2,694,204
Cost of sales		**(2,331,432)**	(1,872,152)
		1,180,131	822,052
Other income, gains and losses	7	**(9,061)**	263,226
Staff costs	8	**(363,086)**	(337,265)
Depreciation		**(17,673)**	(21,876)
Amortisation of intangible assets		**(44,932)**	(44,861)
Other expenses		**(494,125)**	(439,597)
Finance costs	9	**(89,164)**	(17,421)
Share of results of associates		**(731)**	8
Profit before taxation		**161,359**	224,266
Taxation	10	**(46,252)**	(25,597)
Profit for the year	11	**115,107**	198,669
Attributable to:			
Shareholders of the Company		**125,826**	208,551
Non-controlling interests of subsidiaries		**(10,719)**	(9,882)
		115,107	198,669
Earnings per share	12		
– Basic		**1.31 cents**	2.17 cents
– Diluted		**1.31 cents**	2.17 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**115,107**	198,669
Other comprehensive (expenses)/income		
Exchange difference arising from translation of foreign operations	**(46,164)**	261,106
(Loss)/gain on fair value changes of available-for-sale investments	**(176,843)**	444,098
Reclassification adjustment upon disposal of available-for-sale investments	**–**	(229,766)
Other comprehensive (expenses)/income for the year	**(223,007)**	475,438
Total comprehensive (expenses)/income for the year	**(107,900)**	674,107
Total comprehensive (expenses)/income attributable to:		
Shareholders of the Company	**(97,880)**	679,446
Non-controlling interests of subsidiaries	**(10,020)**	(5,339)
	(107,900)	674,107

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	14	**813,502**	–
Vines	15	**537,571**	–
Property, plant and equipment	16	**575,962**	523,312
Intangible assets	17	**4,133,396**	4,019,236
Interests in associates	18	**18,622**	18,489
Available-for-sale investments	19	**368,621**	310,041
Investments at fair value through profit or loss	20	**153,130**	206,014
Deferred taxation	31	**23,718**	23,196
Long-term receivables	21	**–**	19,984
Time deposits	25	**–**	93,480
		6,624,522	5,213,752
Current assets			
Investments at fair value through profit or loss	20	**76,083**	163,000
Derivative financial instruments	22	**3,102**	–
Tax recoverable		**42**	–
Inventories	23	**650,886**	508,603
Receivables and prepayments	24	**983,985**	872,654
Time deposits	25	**91,200**	55,309
Bank balances and deposits	26	**380,415**	575,209
		2,185,713	2,174,775
Current liabilities			
Payables and accruals	27	**(822,767)**	(543,123)
Derivative financial instruments	22	**(37,151)**	(24,692)
Bank borrowings	28	**–**	(1,067,956)
Finance lease obligations	29	**(373)**	(1,003)
Taxation		**(61,988)**	(65,293)
		(922,279)	(1,702,067)
Net current assets		**1,263,434**	472,708
Total assets less current liabilities		**7,887,956**	5,686,460

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Bank borrowings	28	**(1,691,606)**	–
Finance lease obligations	29	**(1,277)**	(399)
Other borrowings	30	**(536,201)**	(36,531)
Deferred taxation	31	**(26,314)**	(27,077)
		(2,255,398)	(64,007)
Total net assets		**5,632,558**	5,622,453
Capital and reserves			
Share capital	32	**961,107**	961,107
Share premium and reserves		**4,407,652**	4,550,419
Equity attributable to shareholders of the Company		**5,368,759**	5,511,526
Non-controlling interests of subsidiaries		**263,799**	110,927
Total equity		**5,632,558**	5,622,453

Li Tzar Kuoi, Victor
Director

Ip Tak Chuen, Edmond
Director

7 March 2012

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to shareholders of the Company								Attributable to non-controlling interests of subsidiaries			
	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)/ retained earnings *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 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/(loss) 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/(expenses) 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	–	–	–	–	(153)	–	153	–	–	–	–	–
Dividends distributed to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	(9,177)	(9,177)	(9,177)
At 1 January 2011	**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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**125,826**	**125,826**	**–**	**(10,719)**	**(10,719)**	**115,107**
Exchange difference arising from translation	**–**	**–**	**–**	**(46,840)**	**–**	**–**	**–**	**(46,840)**	**91**	**585**	**676**	**(46,164)**
(Loss)/gain on fair value changes of available-for-sale investments	**–**	**–**	**(176,866)**	**–**	**–**	**–**	**–**	**(176,866)**	**–**	**23**	**23**	**(176,843)**
Total comprehensive (expenses)/income for the year	**–**	**–**	**(176,866)**	**(46,840)**	**–**	**–**	**125,826**	**(97,880)**	**91**	**(10,111)**	**(10,020)**	**(107,900)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**152,994**	**152,994**	**152,994**
Capital injection of a subsidiary attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**103,890**	**103,890**	**103,890**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**2,230**	**–**	**2,230**	**–**	**(58,333)**	**(58,333)**	**(56,103)**
Employees' share option benefits for a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**184**	**24**	**208**	**208**
Employees' share option of a subsidiary exercised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(251)**	**565**	**314**	**314**
Employees' share option of a subsidiary lapsed	**–**	**–**	**–**	**–**	**–**	**–**	**938**	**938**	**(822)**	**(116)**	**(938)**	**–**
Employees' share option lapsed	**–**	**–**	**–**	**–**	**(194)**	**–**	**194**	**–**	**–**	**–**	**–**	**–**
Dividends paid to the shareholders of the Company – 2010 final dividend HK$0.005 per share	**–**	**(48,055)**	**–**	**–**	**–**	**–**	**–**	**(48,055)**	**–**	**–**	**–**	**(48,055)**
Dividends distributed to non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,243)**	**(35,243)**	**(35,243)**
At 31 December 2011	**961,107**	**4,099,488**	**37,489**	**194,774**	**4,351**	**(45,267)**	**116,817**	**5,368,759**	**–**	**263,799**	**263,799**	**5,632,558**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit before taxation		**161,359**	224,266
Share-based payment expense		**208**	832
Share of results of associates		**731**	(8)
Finance costs		**89,164**	17,421
Depreciation		**56,818**	49,702
Gain on disposal of available-for-sale investments		**–**	(229,766)
Net loss/(gain) on investments at fair value through profit or loss		**75,445**	(8,248)
Net (gain)/loss on derivative financial instruments		**(1,715)**	3,530
Gain on purchase of a subsidiary		**(138,518)**	–
Gain on disposal of property, plant and equipment		**(11)**	(1,299)
Interest income		**(14,898)**	(12,960)
Amortisation of intangible assets		**44,932**	44,861
Loss on fair value change of investment properties		**131,287**	–
Gain on fair value change of vines		**(28,559)**	–
Impairment of property, plant and equipment		**1,981**	–
Impairment of intangible assets		**3,914**	–
Intangible assets written off		**–**	134,944
Net impairment/(recovery of impairment) of trade receivables		**4,361**	(207)
Inventories written off		**8,872**	6,651
Operating cash flows before working capital changes		**395,371**	229,719
Increase in inventories		**(159,016)**	(47,517)
Increase in receivables and prepayments		**(131,512)**	(17,670)
Increase in payables and accruals		**69,611**	19,002
Profits tax paid		**(52,942)**	(16,360)
Net cash from operating activities		**121,512**	167,174
Investing activities			
Purchases of property, plant and equipment		**(111,094)**	(60,539)
Purchases of investment properties		**(46,139)**	–
Purchases of vines		**(32,168)**	–
Proceeds from disposal of investment properties		**39,048**	–
Proceeds from disposal of vines		**6,451**	–
Proceeds from disposal of property, plant and equipment		**13,830**	2,054
Purchase of a subsidiary	39	**(183,757)**	–
Receipts from a promissory note receivable		**38,503**	27,533
Decrease/(increase) in time deposits		**55,877**	(139,765)
Purchases of investments at fair value through profit or loss		**(109,462)**	(82,748)
Purchases of available-for-sale investments		**(77,999)**	(193,935)
Net proceeds from disposal of investments at fair value through profit or loss		**174,054**	80,894
Payment on settlement of derivatives financial instruments		**(55,716)**	–
Net proceeds from disposal of available-for-sale investments		**–**	329,882
Expenditure on intangible assets		**(28,017)**	(70,135)
Interest received		**14,898**	12,960
Net cash used in investing activities		**(301,691)**	(93,799)

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Financing activities			
Capital injection in a subsidiary attributable by non-controlling shareholders		**103,890**	–
New bank borrowings raised		**1,076,466**	–
Repayment of bank borrowings		**(1,469,081)**	(189)
New borrowings raised from certain substantial shareholders of the Company and their subsidiaries		**500,000**	–
Finance leases obligations repaid		**(1,132)**	(652)
Interest paid		**(100,571)**	(15,469)
Rights issue of a subsidiary attributable to non-controlling shareholders		**–**	5,972
Share option of a subsidiary exercised		**314**	–
Acquisition of additional interests in subsidiaries		**(56,103)**	(125,849)
Repayment of loans from non-controlling shareholders of subsidiaries		**(1,577)**	(4,241)
Dividend distributed to non-controlling interests of a subsidiary		**(16,283)**	(9,177)
Dividend distributed to shareholders of the Company		**(48,055)**	–
Net cash used in financing activities		**(12,132)**	(149,605)
Net decrease in cash and cash equivalents		**(192,311)**	(76,230)
Cash and cash equivalents at beginning of the year		**575,209**	636,510
Effect of foreign exchange rate changes		**(2,483)**	14,929
Cash and cash equivalents at end of the year	26	**380,415**	575,209

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 agriculture-related products, as well as investment in a portfolio of vineyards, and 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").

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.

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

HKAS 1 (Amendments)	Presentation of items of Other Comprehensive Income [3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [2]
HKAS 19 (as revised in 2011)	Employee Benefits [4]
HKAS 27 (as revised in 2011)	Separate Financial Statements [4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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

HKAS 1 (Amendments) Presentation of items of Other Comprehensive Income retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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 addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– 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.

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

The directors anticipate that the application of HKFRS 9 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.

HKFRS 10 Consolidated Financial Statements replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. It includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires significant judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more comprehensive than those in the current standards.

HKFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

Based on the existing available information, the directors of the Company preliminarily anticipate that the adoption of the other new and revised HKFRSs 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 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.

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.

(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.

Changes in the Group's ownership interests in existing subsidiaries

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)

Changes in the Group's ownership interests in existing subsidiaries (cont'd)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 as specific by applicable HKFRSs). 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.

(b) Business combinations

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 arrangements of the acquiree or the replacement of an acquiree's share-based payment arrangements with share-based payment arrangements 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combinations (cont'd)

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.

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 combinations (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) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties, which include land, buildings and integral infrastructure, are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

(d) Vines

Vines are biological assets and are initially recorded at cost including transaction costs. Subsequent to initial recognition, the vines are stated at fair value less costs to sell. Gains or losses arising from changes in the fair values of vines less costs to sell are recognised in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

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	$6^2/_3$% 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	4% to $33^1/_3$%
Furniture, fixtures and other assets	4% to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (cont'd)

iii. Goodwill (cont'd)

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

iv. Trademarks

On initial recognition, trademarks acquired from business combinations are recognised at fair value at the acquisition date.

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. Water rights

Water rights provide the owner with an allocation of irrigation water for as long as the rights are held. Water rights that are able to be legally separated from properties and are able to be traded are recognised separately.

Water rights are recognised at costs less any accumulated impairment losses. The cost is not amortised as the water licences have indefinite useful lives.

Due to the water rights being used for the provision of permanent planting of crops (vines), these water rights are held to support the vines and not for regular trading purposes.

vii. Other intangible assets (including customer relationship 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.

viii. Impairment of intangible assets with indefinite useful lives

Trademarks and water rights 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) 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 (f) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments in associates (cont'd)

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.

(i) 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.

<u>Effective interest method</u>
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

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.

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.

<u>Embedded derivatives</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

ii. Available-for-sale investments

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

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

iii. Loans and receivables

Loans and receivables (including 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 asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

iv. Impairment of financial assets (cont'd)

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

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

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

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

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

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

v. Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

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.

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.

(j) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Under certain circumstances, incentives such as rent-free periods may be offered to tenants. Such an incentive is amortised over the term of the lease as a reduction in rental income on a straight-line basis.

Dividend income is recognised when the right to receive payment is certain.

(l) 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. Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases.

The Group as lessee
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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Leased assets (cont'd)

The Group as lessee (cont'd)

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.

The Group as lessor

Lease agreements entered into with lessees over vineyard properties and wineries are considered to be operating leases given that the Group retains substantially all the risks and benefits of ownership of the leased assets.

(m) 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Foreign currencies (cont'd)

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.

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.

(p) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) *Taxation (cont'd)*

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.

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.

(q) *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 investment properties, vines, goodwill, development costs and deferred taxation.

The Group's vineyards (including investment properties and vines) are stated at fair values by reference to independent valuations. These valuations were performed by accredited industry valuers based on valuation techniques involving certain estimations and assumptions. Any changes to theses estimations and assumptions would result in changes in the fair values of these assets and corresponding adjustments to the Group's profit or loss. Details of the valuation basis are set out in notes 14 and 15.

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 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 2011 and 2010, no impairment loss has been identified.

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

Details of the impairment test on goodwill and capitalised development costs are set out in note 17.

As at 31 December 2011, a deferred tax asset of HK$23,718,000 (2010: HK$23,196,000) 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 borrowings, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits. Capital comprises all components of equity attributable to shareholders of the Company. As at 31 December 2011, the gearing ratio of the Group is 32.74% (2010: 6.93%).

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 2011 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 24.

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

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

The credit risk on liquid funds 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.

(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.

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(b) Liquidity risk (cont'd)

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$'000*	Bank borrowings *HK$'000* *(note)*	Finance lease obligations *HK$'000*	Other borrowings *HK$'000* *(note)*	Total *HK$'000*
Year 2011					
Carrying amount	**822,767**	**1,691,606**	**1,650**	**536,201**	**3,052,224**
Total contractual undiscounted cash flow					
Within 1 year or on demand	**822,767**	**63,011**	**472**	**11,921**	**898,171**
More than 1 year but less than 2 years	**–**	**182,091**	**447**	**9,456**	**191,994**
More than 2 years but less than 5 years	**–**	**1,606,139**	**929**	**513,571**	**2,120,639**
More than 5 years	**–**	**–**	**–**	**38,600**	**38,600**
	822,767	**1,851,241**	**1,848**	**573,548**	**3,249,404**
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	1,075	4,790	1,623,873
More than 1 year but less than 2 years	–	–	122	2,931	3,053
More than 2 years but less than 5 years	–	–	340	11,297	11,637
More than 5 years	–	–	–	43,046	43,046
	543,123	1,074,885	1,537	62,064	1,681,609

Note:

The interest portion included in the undiscounted cash flow is calculated based on the balances as at 31 December 2011 and 31 December 2010 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 interest-bearing borrowings.

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 19, 20, 22, 25 and 26.

In respect of interest-bearing financial liabilities, the Group's interest rate risk arises primarily from its bank and other borrowings. Most of them 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 and other borrowings have been disclosed in notes 28 and 30.

As at 31 December 2011, if the interest rates on the Group's interest-bearing borrowings 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$11,114,000 (2010: HK$5,501,000) lower/higher, mainly as a result of higher/lower interest expense on such borrowings. 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 Group's total interest bearing borrowings of HK$2,222,873,000 as at 31 December 2011 (2010: HK$1,100,141,000) without considering the increases/decreases of the borrowings during the year.

(d) Currency risk

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

5. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(e) Other price risk

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

All of the Group's trading securities and certain available-for-sale investments are listed on the Stock Exchange or other recognised overseas stock exchanges. The management manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy or sell trading securities are based on the performance of individual securities, as well as the Group's liquidity needs. All of the Group's 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$3,804,000 (2010: HK$8,150,000) and HK$9,392,000 (2010: HK$14,343,000) 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 2011				
Available-for-sale investments				
Equity securities – listed in Hong Kong	**187,834**	**–**	**–**	**187,834**
Debt securities – unlisted	**22,787**	**–**	**–**	**22,787**
Total	**210,621**	**–**	**–**	**210,621**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	**76,083**	**–**	**–**	**76,083**
Debt securities – unlisted	**–**	**153,130**	**–**	**153,130**
Derivative financial assets	**–**	**3,102**	**–**	**3,102**
Total	**76,083**	**156,232**	**–**	**232,315**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**–**	**37,151**	**–**	**37,151**
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

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 rental income and income from investments, and is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Agriculture-related	**1,213,982**	864,923
Health	**2,287,513**	1,819,584
Investment	**10,068**	9,697
	3,511,563	2,694,204

7. OTHER INCOME, GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Included in other income, gains and losses are:		
Interest income from bank deposits	**11,053**	8,374
Other interest income	**3,845**	4,586
Gain on acquisition of a subsidiary	**138,518**	–
Loss on fair value changes of investment properties	**(131,287)**	–
Gain on fair value changes of vines	**28,559**	–
Gain on disposal of available-for-sale investments	**–**	229,766
Net (loss)/gain on investments at fair value through profit or loss		
– Investments held for trading	**(22,561)**	(4,926)
– Others	**(52,884)**	13,174
Net gain/(loss) on derivative financial instruments	**1,715**	(3,530)

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$704.7 million (2010: HK$611.1 million) of which HK$341.6 million (2010: HK$273.8 million) relating to direct labor costs was included in cost of sales.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**80,364**	13,783
Bank overdrafts	**201**	104
Other borrowings	**8,420**	3,501
Finance leases	**179**	33
	89,164	17,421

10. TAXATION

	2011 HK$'000	2010 HK$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	**3,044**	366
Other jurisdictions	**44,463**	32,454
(Over)/under provision in prior years		
Hong Kong	**–**	2
Other jurisdictions	**(430)**	1,489
Deferred tax *(Note 31)*		
Hong Kong	**–**	–
Other jurisdictions	**(825)**	(8,714)
	46,252	25,597

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:

	2011 **HK$'000**	2010 HK$'000
Profit before taxation	**161,359**	224,266
Notional tax at tax rate of 16.5%	**26,624**	37,004
Tax effect of share of results of associates	**121**	(1)
Tax effect of non-deductible expenses	**48,803**	29,344
Tax effect of non-taxable income	**(75,950)**	(76,541)
Tax effect of tax losses not recognised	**25,461**	26,889
(Over)/under provision in prior years	**(430)**	1,491
Tax effect of utilisation of tax losses previously not recognised	**(1,937)**	(2,060)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24,735**	10,118
Others	**(1,175)**	(647)
Tax expenses	**46,252**	25,597

11. PROFIT FOR THE YEAR

	2011 ***HK$'000***	2010 *HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**11,685**	9,981
Depreciation of property, plant and equipment		
Owned assets	**56,397**	49,242
Assets held under finance leases	**421**	460
	56,818	49,702
Amount included in production overheads	**(39,145)**	(27,826)
	17,673	21,876
Research and development expenditure	**145,454**	112,888
Amount capitalised as development costs	**–**	(70,135)
	145,454	42,753
Intangible assets written off	**–**	134,944
Amortisation of development costs	**–**	2,430
	145,454	180,127
Share-based payment	**208**	832
Impairment of property, plant and equipment	**1,981**	–
Impairment of intangible assets	**3,914**	–
Impairment of trade receivables	**4,475**	406
Inventories written off	**8,872**	6,651
Operating lease expenses	**33,168**	40,508
and after crediting:		
Rental income from investment properties (included in turnover)	**200,791**	–
Dividend income from listed securities (included in turnover)	**4,593**	3,199
Bad debt recovery	**114**	613
Exchange gain	**12,500**	2,892
Gain on disposal of property, plant and equipment	**11**	1,299
Interest income from investments at fair value through profit or loss (included in turnover)		
– Listed	**240**	600
– Unlisted	**5,235**	5,898

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:

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**125,826**	208,551
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 2011 and 2010.

13. DIVIDENDS

A final dividend for the year ended 31 December 2011 of HK$0.005 per share with an aggregate amount of HK$48,055,000 had been proposed by the directors (2010: HK$0.005 per share with an aggregate amount of HK$48,055,000). It is subject to approval by the shareholders in the forthcoming general meeting.

14. INVESTMENT PROPERTIES

	2011 *HK$'000*
Overseas freehold investment properties, at valuation	
At 1 January	**–**
Arising from acquisition of a subsidiary	**934,961**
Additions	**46,139**
Disposals	**(39,048)**
Net decrease in fair value recognised in profit or loss	**(131,287)**
Exchange differences	**2,737**
At 31 December	**813,502**

The investment properties situated abroad were revalued by the Directors of the Group by reference to the independent valuations from accredited industry valuers. The valuation of investment properties was determined by reference to market evidence of recent transaction prices for the similar properties and replacement cost approach.

15. VINES

	2011 *HK$'000*
Valuation	
At 1 January	**–**
Arising from acquisition of a subsidiary	**482,931**
Additions	**32,168**
Disposals	**(6,451)**
Net increase in fair value recognised in profit or loss	**28,559**
Exchange differences	**364**
At 31 December	**537,571**

The vines situated abroad were revalued by the Directors of the Group by reference to the independent valuations from accredited industry valuers. Valuations of vines are residuals from the valuation of vineyards after deducting value of investment properties and water rights. The valuations of vineyards are determined by discounting the expected future cash flows from the vineyards at discount rates ranging from 8.5% to 17.5%.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building *HK$'000*	Construction in progress *HK$'000*	Laboratory instruments, plant and equipment *HK$'000*	Furniture, fixtures and other assets *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 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 1 January 2011	**243,619**	**21,141**	**438,791**	**119,231**	**82,756**	**905,538**
Arising from acquisition of a subsidiary	**–**	**–**	**15,334**	**–**	**–**	**15,334**
Additions	**64,568**	**15,551**	**26,009**	**4,744**	**1,618**	**112,490**
Reclassification	**3,233**	**(25,459)**	**3,897**	**9,296**	**9,033**	**–**
Disposals/write-off	**–**	**–**	**(13,819)**	**(2,112)**	**–**	**(15,931)**
Exchange difference	**(1,703)**	**(131)**	**(846)**	**(637)**	**(124)**	**(3,441)**
At 31 December 2011	**309,717**	**11,102**	**469,366**	**130,522**	**93,283**	**1,013,990**
Comprising:						
Cost	**–**	**11,102**	**469,366**	**130,522**	**93,283**	**704,273**
Valuation	**309,717**	**–**	**–**	**–**	**–**	**309,717**
	309,717	**11,102**	**469,366**	**130,522**	**93,283**	**1,013,990**

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

	Land and building HK$'000	Construction in progress HK$'000	Laboratory instruments, plant and equipment HK$'000	Furniture, fixtures and other assets HK$'000	Leasehold improvement HK$'000	Total HK$'000
Depreciation and impairment						
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 1 January 2011	**12,956**	**–**	**239,386**	**96,365**	**33,519**	**382,226**
Provided for the year	**4,618**	**–**	**25,385**	**16,203**	**10,612**	**56,818**
Eliminated upon disposals/ write-off	**–**	**–**	**(688)**	**(1,424)**	**–**	**(2,112)**
Impairment loss	**–**	**–**	**1,981**	**–**	**–**	**1,981**
Exchange difference	**(160)**	**–**	**(110)**	**(539)**	**(76)**	**(885)**
At 31 December 2011	**17,414**	**–**	**265,954**	**110,605**	**44,055**	**438,028**
Carrying Values						
At 31 December 2011	**292,303**	**11,102**	**203,412**	**19,917**	**49,228**	**575,962**
At 31 December 2010	230,663	21,141	199,405	22,866	49,237	523,312

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

The carrying value of properties shown above comprises:

	2011	2010
	HK$'000	*HK$'000*
Land and building in Hong Kong under medium-term lease	**81,124**	83,389
Overseas freehold land and building	**211,179**	147,274
	292,303	230,663

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$325,714,000 (2010: HK$265,036,000).

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$1,646,000 (2010: HK$1,451,000).

During the year ended 31 December 2011, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,396,000 (2010: HK$537,000).

During the year ended 31 December 2011, the directors conducted reviews on the recoverable amounts of laboratory instruments, plant and equipment. As a result, impairment losses of HK$1,981,000 have been recognised in profit or loss to reduce the carrying amount of property, plant and equipment to their recoverable amount.

17. INTANGIBLE ASSETS

	Development costs *HK$'000*	Patents *HK$'000*	Goodwill *HK$'000*	Trademarks *HK$'000*	Customer relationship *HK$'000*	Concession assets *HK$'000*	Water rights *HK$'000*	Other intangible assets *HK$'000*	Total *HK$'000*
Cost									
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 1 January 2011	**481,843**	**199**	**3,127,268**	**99,882**	**389,907**	**123,432**	**–**	**4,028**	**4,226,559**
Arising from acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**154,523**	**–**	**154,523**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**28,017**	**–**	**28,017**
Exchange difference	**(6,490)**	**(1)**	**(11,233)**	**(2,033)**	**(1,263)**	**(466)**	**761**	**(75)**	**(20,800)**
At 31 December 2011	**475,353**	**198**	**3,116,035**	**97,849**	**388,644**	**122,966**	**183,301**	**3,953**	**4,388,299**
Amortisation and impairment									
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 1 January 2011	**612**	**162**	**–**	**–**	**159,730**	**45,182**	**–**	**1,637**	**207,323**
Provided for the year	**–**	**–**	**–**	**–**	**39,645**	**4,993**	**–**	**294**	**44,932**
Impairment loss	**–**	**–**	**–**	**–**	**–**	**–**	**3,914**	**–**	**3,914**
Exchange difference	**(15)**	**–**	**–**	**–**	**(896)**	**(245)**	**(58)**	**(52)**	**(1,266)**
At 31 December 2011	**597**	**162**	**–**	**–**	**198,479**	**49,930**	**3,856**	**1,879**	**254,903**
Carrying values									
At 31 December 2011	**474,756**	**36**	**3,116,035**	**97,849**	**190,165**	**73,036**	**179,445**	**2,074**	**4,133,396**
At 31 December 2010	481,231	37	3,127,268	99,882	230,177	78,250	–	2,391	4,019,236

17. 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 trademarks with indefinite useful lives have been allocated to six individual cash generating units (CGUs), including three subsidiaries in the health segment and three subsidiaries in the agriculture-related segment. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) as at 31 December 2011 allocated to these segments are as follows:

	Goodwill		Trademarks	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Health	**2,798,852**	2,809,022	**78,350**	80,309
Agriculture-related	**317,183**	318,246	**19,499**	19,573
	3,116,035	3,127,268	**97,849**	99,882

During the year ended 31 December 2011, management of the Group determines that there are no impairments of any of its CGUs containing goodwill or trademarks 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 profit contributed to the Group by the concession arrangement was HK$14,850,000 (2010: HK$13,081,000) and HK$398,000 (2010: loss of HK$9,000) respectively.

During the year ended 31 December 2011, the directors conducted reviews on the recoverable amounts of water rights entitlements. As a result, impairment losses of HK$3,914,000 have been recognised in profit or loss to reduce the carrying amount of intangible assets to their recoverable amounts.

During the year ended 31 December 2010, as certain development projects had been discontinued, related development and patents costs previously capitalised with carrying values totaling HK$134,944,000 were written off.

Other intangible assets include non-competition agreement.

18. INTERESTS IN ASSOCIATES

	2011 **HK$'000**	2010 HK$'000
Cost of investments in associates, unlisted	**23,668**	23,668
Share of post-acquisition results	**(9,426)**	(8,695)
Exchange reserve	**4,380**	3,516
	18,622	18,489

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

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

	2011 **HK$'000**	2010 HK$'000
Total assets	**248,098**	272,977
Total liabilities	**(173,612)**	(199,021)
Net assets	**74,486**	73,956
Group's share of net assets of associates	**18,622**	18,489
Revenue	**103,605**	91,075
(Loss)/profit for the year	**(3,005)**	30
Group's share of results of associates for the year	**(731)**	8

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK$'000	2010 HK$'000
Equity security		
– listed in Hong Kong at quoted price	**187,834**	286,867
– unlisted, at cost	**158,000**	–
Debt securities – unlisted	**22,787**	23,174
	368,621	310,041

The unlisted equity security investment represented the Group's interest in certain unlisted companies. It was measured at cost less impairment 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.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Equity securities held for trading		
– listed in Hong Kong at quoted price	**55,397**	83,069
– listed overseas at quoted price	**20,686**	22,325
Debt securities held for trading		
– listed in Hong Kong at quoted price	**–**	34,590
– listed overseas at quoted price	**–**	23,016
Debt securities – unlisted	**153,130**	206,014
	229,213	369,014
Carrying amount analysed for reporting purpose as:		
Non-current	**153,130**	206,014
Current	**76,083**	163,000

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

21. LONG-TERM RECEIVABLES

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 of a distribution division of Vitaquest LLC (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 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:

	2011 ***HK$'000***	2010 *HK$'000*
Promissory Note	**19,984**	58,487
Less: Current portion included in receivables and prepayments *(note 24)*	**(19,984)**	(38,503)
Non-current portion included in long-term receivables	**–**	19,984

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2011	2010
	HK$'000	*HK$'000*
Assets		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swaps	**3,102**	–
Liabilities		
Derivative financial instruments (deemed as held for trading) at fair value:		
Interest rate swaps	**(37,151)**	(24,692)

The above derivative 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.

23. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**276,294**	279,508
Work in progress	**156,618**	89,498
Finished goods	**217,974**	139,597
	650,886	508,603

The cost of inventories recognised as an expense during the year was HK$2,331,432,000 (2010: HK$1,872,152,000).

24. RECEIVABLES AND PREPAYMENTS

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**784,362**	657,005
Less: provision for impairment	**(21,013)**	(21,132)
	763,349	635,873
Other receivables, deposits and prepayments	**220,636**	236,781
	983,985	872,654

The Group has a policy of allowing an average credit period of 0 to 90 days to its customers.

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

	2011 **HK$'000**	2010 HK$'000
0 – 90 days	**671,660**	570,770
Over 90 days	**91,689**	65,103
	763,349	635,873

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

	2011 **HK$'000**	2010 HK$'000
Current	**557,286**	376,860
Less than 90 days past due	**187,078**	240,373
Over 90 days past due	**18,985**	18,640
	206,063	259,013
	763,349	635,873

24. RECEIVABLES AND PREPAYMENTS (CONT'D)

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:

	2011 ***HK$'000***	2010 *HK$'000*
At 1 January	**21,132**	56,774
Impairment loss recognised	**4,475**	406
Amounts recovered during the year	**(114)**	(613)
Uncollectible amounts written off	**(4,402)**	(37,914)
Exchange difference	**(78)**	2,479
At 31 December	**21,013**	21,132

Included in the other receivables is an amount of HK$27,222,000 (2010: 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.

25. TIME DEPOSITS

Time deposits represent the guaranteed investment certificates and carry an average interest rate of 2.17% per annum (2010: 1.73%).

26. CASH AND CASH EQUIVALENTS

Bank balances and deposits carry an average interest rate of 1.61% (2010: 1.32%) per annum.

27. PAYABLES AND ACCRUALS

	2011 **HK$'000**	2010 HK$'000
Trade payables	**295,900**	257,021
Other payables and accrued charges	**526,867**	286,102
Financial liabilities measured at amortised cost	**822,767**	543,123

The ageing analysis of trade payables is as follows:

	2011 **HK$'000**	2010 HK$'000
Current to 90 days	**291,021**	251,698
Over 90 days	**4,879**	5,323
	295,900	257,021

Included in the other payables is a dividend payable of HK$18,677,000 (2010: Nil) due to a non-controlling shareholder of a subsidiary.

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

28. BANK BORROWINGS

	2011 **HK$'000**	2010 HK$'000
Bank loans repayable		
Within 1 year	**–**	1,067,956
2 to 5 years	**1,691,606**	–
Analysed as:		
Secured	**743,606**	124,156
Unsecured	**948,000**	943,800
	1,691,606	1,067,956
Carrying amount analysed for reporting purpose as:		
Current	**–**	1,067,956
Non-current	**1,691,606**	–

28. BANK BORROWINGS (CONT'D)

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

	2011 **HK$'000**	2010 HK$'000
Australian dollars *(note (a))*	**465,617**	–
New Zealand dollars *(note (b))*	**156,958**	–
Canadian dollars *(note (c))*	**121,031**	124,156
Hong Kong dollars *(note (d))*	**480,000**	–
United State dollars *(note (e))*	**468,000**	943,800
	1,691,606	1,067,956

Notes:

(a) The bank loan is secured by a charge over certain assets of a subsidiary and carries interest with reference to the Bank Bill Swap Reference Rate, plus a margin ranging from 2.95% to 3.20% per annum. The loan is for a period of three years from July 2011 to July 2014.

(b) The bank loan is secured by a charge over certain assets of a subsidiary and carries interest with reference to the London Interbank Offered Rate ("LIBOR"), plus a margin ranging from 3.30% to 3.55% per annum. The loan is for a period of three years from July 2011 to July 2014.

(c) The bank loan is secured by a charge over certain assets of a subsidiary and carries interest with reference to the Banker's Acceptance Rate plus a stamping fee of 1.30% per annum (2010: the Banker's Acceptance Rate plus a stamping fee of 0.75% per annum). The loan is for a period of two years from May 2011 to May 2013.

(d) The bank loan is unsecured and bears a floating interest with reference to the Hong Kong Interbank Offered Rate plus a margin of 1.25% per annum. The loan is for a period of three years from August 2011 to August 2014.

(e) The bank loan is unsecured and bears a floating interest with reference to the Singapore Interbank Offered Rate plus a margin of 1.30% per annum. The loan is for a period of three years from August 2011 to August 2014. The bank loan in the prior year was unsecured and bore a floating interest with reference to the LIBOR plus a margin of 0.75%. It was fully repaid in the current year.

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

29. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease obligations payable				
within 1 year	**472**	1,075	**373**	1,003
2 to 5 years	**1,376**	462	**1,277**	399
	1,848	1,537	**1,650**	1,402
Less: Future finance charges	**(198)**	(135)	**–**	–
Present value of finance lease obligations	**1,650**	1,402	**1,650**	1,402
Carrying amount analysed for reporting purpose as:				
Current			**373**	1,003
Non-current			**1,277**	399

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

30. OTHER BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Loans from substantial shareholders of the Company and their subsidiaries *(note (a))*	**500,000**	–
Loans from non-controlling shareholders of subsidiaries *(note (b))*	**36,201**	36,531
	536,201	36,531

(a) Loans from substantial shareholders of the Company and their subsidiaries are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate plus a margin of 1.0% per annum and are due for repayment in January 2014.

(b) Loans from non-controlling shareholders of subsidiaries 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$4,934,000 which are unsecured, interest free and not repayable within one year.

The Directors consider that the carrying amount of other borrowings approximates to their fair value.

31. 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 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 1 January 2011	**24,736**	**287,439**	**9,476**	**(222,100)**	**(95,670)**	**3,881**
Charge/(credit) to profit or loss	**5,658**	**39,766**	**(282)**	**(30,136)**	**(15,831)**	**(825)**
Exchange difference	**(490)**	**(26)**	**(31)**	**(110)**	**197**	**(460)**
At 31 December 2011	**29,904**	**327,179**	**9,163**	**(252,346)**	**(111,304)**	**2,596**

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:

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	**26,314**	27,077
Deferred tax assets	**(23,718)**	(23,196)
	2,596	3,881

At the end of the reporting period, the total un-utilised tax losses and tax credits amounted to approximately HK$2,801,461,000 (2010: HK$2,601,368,000). A deferred tax asset has been recognised in respect of HK$657,744,000 (2010: HK$590,596,000) of such losses and credits. No deferred tax asset has been recognised in respect of the remaining HK$2,143,717,000 (2010: HK$2,010,772,000) 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.

31. DEFERRED TAXATION (CONT'D)

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

	2011 **HK$'000**	2010 HK$'000
Within 1 to 5 years	**79,408**	73,277
Over 5 years	**898,396**	753,939
No expiry date	**1,823,657**	1,774,152
	2,801,461	2,601,368

32. SHARE CAPITAL

	Number of shares of HK$0.1 each *'000*	**Nominal value** *HK$'000*
Authorised	15,000,000	1,500,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	9,611,073	961,107

33. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 8,682,225 (2010: 9,068,881) shares, representing 0.10% (2010: 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.

33. 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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011	No. of exercisable options as at 31 December 2011	Option period	Adjusted subscription price per share HK$
Year 2011								
30/9/2002	**1,551,682**	**–**	**–**	**(65,192)**	**1,486,490**	**1,486,490**	**30/9/2003 to 29/9/2012**	**1.422**
27/1/2003	**3,628,159**	**–**	**–**	**(157,360)**	**3,470,799**	**3,470,799**	**27/1/2004 to 26/1/2013**	**1.286**
19/1/2004	**3,889,040**	**–**	**–**	**(164,104)**	**3,724,936**	**3,724,936**	**19/1/2005 to 18/1/2014**	**1.568**

	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

33. 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")*

As at 31 December 2010, Wex had 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 share options had been exercised. As at 31 December 2010, Wex had 3,281,434 share options available for future issuance under the plan. The share options available for issuance under the plan vested over various periods and had maximum exercise terms of five years.

The share option plan of Wex was terminated upon the completion of the privatisation process during the year.

33. 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 2011	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled during the year	Outstanding as at 31 December 2011	No. of exercisable options as at 31 December 2011	Option period	Adjusted subscription price per share *CAD*
Year 2011									
26/1/2006	233,000	–	–	–	(233,000)	–	–	26/1/2006 to 26/1/2011	1.55
29/9/2006	544,000	–	–	–	(544,000)	–	–	29/9/2006 to 29/9/2011	0.38
20/11/2007	150,000	–	–	–	(150,000)	–	–	20/11/2007 to 19/11/2012	0.51
16/6/2008	150,000	–	–	–	(150,000)	–	–	16/6/2008 to 16/6/2013	0.86
24/9/2008	1,015,000	–	–	–	(1,015,000)	–	–	24/9/2008 to 24/9/2013	0.46
11/12/2008	200,000	–	–	–	(200,000)	–	–	11/12/2008 to 11/12/2013	0.25
1/1/2009	60,000	–	–	–	(60,000)	–	–	1/1/2009 to 1/1/2014	0.36
17/3/2009	60,000	–	–	–	(60,000)	–	–	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
9/2/2010	745,000	–	(295,000)	–	(450,000)	–	–	9/2/2010 to 9/2/2015	0.135

33. SHARE OPTION SCHEMES (CONT'D)

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

	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	Cancelled 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

34. PLEDGE OF ASSETS

Bank borrowings of HK$743,606,000 (2010: HK$124,156,000) are secured by mortgages over the cash, accounts receivable, inventories, property, plant and equipment, investment properties, vines and intangibles assets of subsidiaries with a carrying value of HK$1,651,927,000 (2010: HK$194,673,000) as at 31 December 2011.

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

35. OPERATING LEASE COMMITMENT

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

	2011	2010
	HK$'000	*HK$'000*
The Group as lessee		
within 1 year	**49,695**	42,050
2 to 5 years	**104,779**	123,829
over 5 years	**60,409**	101,124
The Group as lessor		
within 1 year	**218,308**	–
2 to 5 years	**583,081**	–
over 5 years	**19,869**	–

36. 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:

	2011	2010
	HK$'000	*HK$'000*
Capital commitment in respect of the acquisition of plant and equipment, and building improvement		
– contracted but not provided for	**2,930**	11,541
– authorised but not contracted for	**–**	77

37. 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$34,547,000 (2010: HK$29,857,000) and forfeited contribution during the year of HK$756,000 (2010: HK$242,000) was used to reduce the Group's contribution in the year.

38. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid or payable to the Company's Directors for the year ended 31 December 2011 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 2011** ***HK$'000***	Total emoluments 2010 *HK$'000*
Li Tzar Kuoi, Victor	75	–	–	–	**75**	75
Kam Hing Lam	75	–	2,000	–	**2,075**	1,825
Ip Tak Chuen, Edmond	75	–	500	–	**575**	75
Yu Ying Choi, Alan Abel	75	6,432	1,600	636	**8,743**	8,249
Chu Kee Hung	75	5,040	1,155	462	**6,732**	6,087
Peter Peace Tulloch	75	–	–	–	**75**	75
Wong Yue-chim, Richard	155	–	–	–	**155**	155
Kwok Eva Lee	180	–	–	–	**180**	180
Colin Stevens Russel	180	–	–	–	**180**	180
	965	11,472	5,255	1,098	**18,790**	16,901

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

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

(a) Directors' emoluments (cont'd)

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 2011. 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.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2010: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2010: three) are as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Salary and other benefits	**11,272**	10,149
Bonus	**5,130**	3,337
Retirement benefits scheme contributions	**804**	586
	17,206	14,072

Their emoluments were within the following bands:

	2011 **Number of** **Employees**	2010 Number of employees
HK$3,000,001 to HK$3,500,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**1**	–
	3	3

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

39. PURCHASE OF A SUBSIDIARY

Acquisition of Challenger Wine Trust ("CWT") in 2011

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

	HK$'000
Net assets acquired:	
Investment properties	934,961
Vines	482,931
Property, plant and equipment	15,334
Intangible assets – water rights	154,523
Receivables and prepayments	11,260
Bank balances and cash	76,258
Payables and accruals	(52,962)
Bank borrowings	(1,010,519)
Taxation	(2,504)
Derivative financial instruments	(57,755)
	551,527
Identified net assets shared by non-controlling interest	(152,994)
	398,533
Gain on acquisition	(138,518)
Total consideration	260,015
Net cash outflow arising from acquisition:	
Cash consideration	260,015
Bank balances and cash acquired	(76,258)
	183,757

39. PURCHASE OF A SUBSIDIARY (CONT'D)

Acquisition of Challenger Wine Trust ("CWT") in 2011 (cont'd)

In February 2011, the Group completed the acquisition of 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 HK$260,015,000 (the "Acquisition"). CWT is a trust and a registered managed investment scheme under the Corporations Act 2001 (Cth) of Australia, and was listed on the Australian Securities Exchange ("ASX"). Its principal activity 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. Upon the completion of the Acquisition, CWT was delisted from the ASX.

The gain arising from the Acquisition amounted to HK$138,518,000.

The fair value of receivables and prepayments at the date of acquisition amounted to HK$11,260,000, which approximate to its gross contractual amounts and were not expected to be uncollected based on the best estimation at the acquisition date.

The subsidiary acquired during the year contributed HK$197,462,000 to the Group's turnover and a contribution of HK$139,279,000 (including the fair value changes of investment properties and vines and gain on acquisition) to profit attributable to shareholders of the Company.

If the acquisition had been completed on 1 January 2011, the total Group turnover for 2011 would have been HK$3,532,212,000 and profit for 2011 would have been HK$124,271,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

40. SEGMENT INFORMATION

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

(a) Reportable segment information

	Agriculture-related		Health		Investment		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment turnover	1,213,982	864,923	2,287,513	1,819,584	10,068	9,697	–	–	3,511,563	2,694,204
Segment results	291,132	83,297	278,263	170,905	(54,729)	246,746	–	–	514,666	500,948
Business development expenditure									(18,542)	(18,790)
Research and development expenditure									(145,454)	(180,127)
Corporate expenses									(99,416)	(60,352)
Finance costs									(89,164)	(17,421)
Share of results of associates									(731)	8
Profit before taxation									161,359	224,266
Taxation									(46,252)	(25,597)
Profit for the year									115,107	198,669
Other information										
Amortisation of intangible assets	(8,433)	(7,406)	(36,499)	(34,695)	–	–	–	(2,760)	(44,932)	(44,861)
Depreciation	(11,048)	(9,290)	(42,454)	(32,160)	–	–	(3,316)	(8,252)	(56,818)	(49,702)
Net (impairment)/recovery of impairment of trade receivables	33	(406)	(4,394)	613	–	–	–	–	(4,361)	207
Intangible assets written off	–	–	–	–	–	–	–	(134,944)	–	(134,944)
Gain on purchase of a subsidiary	138,518	–	–	–	–	–	–	–	138,518	–
Loss on fair value change of investment properties	(131,287)	–	–	–	–	–	–	–	(131,287)	–
Gain on fair value change of vines	28,559	–	–	–	–	–	–	–	28,559	–
Impairment of property, plant and equipment	(1,981)	–	–	–	–	–	–	–	(1,981)	–
Impairment of intangible assets	(3,914)	–	–	–	–	–	–	–	(3,914)	–

40. 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)	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia Pacific	**2,141,965**	1,570,519	**2,975,542**	1,422,079
North America	**1,359,530**	1,113,988	**3,103,511**	3,138,958
	3,501,495	2,684,507	**6,079,053**	4,561,037

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, New Zealand, 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.

41. 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 significant transactions with related parties during the year:

(i) The Group made sales of HK$24,941,000 (2010: HK$22,524,000) 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$18,536,000 (2010: HK$20,885,000).

(iii) The Group has engaged Challenger Management Services Limited ("CMSL") as a manager of its vineyard portfolio held in Australia and New Zealand. CMSL is a fellow subsidiary of the non-controlling shareholder of CWT. According to the management deed, CMSL is entitled to charge the Group management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. During the year, management fee of HK$11,364,000 was incurred.

42. EVENTS AFTER THE REPORTING PERIOD

As detailed in the announcement of the Company dated 4 January 2012, the Group entered into a sale and purchase agreement in January 2012 to acquire the entire interests in the Peaty Trading Operation (as defined below) from several independent third parties at a cash consideration of A$31,340,000 (approximately HK$252,080,000). The transaction was completed subsequent to the end of this reporting period, in February 2012.

The Peaty Trading Operation mainly comprises three privately owned operating companies incorporated under the laws of Australia with limited liabilities, which collectively form a vertically integrated producer, wholesaler and distributor of plant protection, specialty fertilisers and pest control products for the professional turf, agricultural, horticultural and urban pest control market, with operations across Australia (the "Peaty Trading Operation").

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

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 47 to 122 were approved and authorised for issue by the Board of Directors on 7 March 2012.

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 2011	2010	Principal activities
Accensi Pty Ltd	Australia	A$100	**100**	100	Manufacturing and marketing of plant protection products and soluble fertilisers
Amgrow Pty Limited	Australia	A$1	**100**	100	Blending and distribution of fertilisers, manufacturing and distribution of horticultural products for the home gardening market, and distribution of turf management products and provision of related services
Ample Castle Limited	British Virgin Islands	US$1	**100**	100	Financing
AquaTower Pty Ltd	Australia	A$2	**51**	51	Water treatment
Avandia Holdings Limited	British Virgin Islands	US$1	**100**	–	Investment in financial instruments
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
Challenger Wine Trust	Australia	A$237,510,328	**72.26**	–	Investment in vineyards and wineries
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 2011	2010	Principal activities
	Cupito Limited	British Virgin Islands	US$1	**100**	–	Financing
	Dimac Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Fertico Pty Ltd	Australia	A$4,000,100	**100**	100	Blending and distribution of fertiliser
	Growam Investment Pty Limited	Australia	A$10	**100**	–	Holding land and building
	Lincore Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Lipa Pharmaceuticals Limited	Australia	A$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	A$1	**100**	100	Trading of fertiliser
	Panform Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
Δ	Polynoma LLC	USA	N/A	**76.01**	76.01	Research and development
	QWIL Investments Pty Ltd	Australia	A$100	**100**	–	Investment in vineyards and wineries
	Rank High Limited	British Virgin Islands	US$1	**100**	100	Investment in financial instruments
	Renascence Therapeutics Limited	Hong Kong	HK$100	**71**	71	Provision of services in the research and development of bio-technology and life sciences technology products

APPENDIX I (CONT'D)

	Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly 2011	2010	Principal activities
	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
	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**	84.75	Supplying and manufacturing of nutritional supplements
	Wealth Target Development Inc.	British Virgin Islands	US$1	**100**	–	Investment in financial instruments
	Wex Pharmaceuticals Inc.	Canada	CAD107,520,175	**100**	88.69	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 entities. 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
Avandia Holdings Limited	Asia
Biocycle Resources Limited	Australia, Asia and America
Bofanti Limited	Asia and Europe
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
Cupito Limited	Asia
Dimac Limited	Asia and America
Lincore Limited	Europe
Panform Limited	Europe
Smart Court Investments Limited	Europe
Turrence Limited	Asia
Wealth Target Development Inc.	Asia
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.

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 2011	2010	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.

Schedule of Investment Properties

APPENDIX III

Description	Location	Existing Land Use	Lease Term
Australia			
Cocoparra and Woods Vineyard	Via Griffith, New South Wales	Vineyard	Freehold
Whitton Vineyard	Whitton, New South Wales	Vineyard	Freehold
Summers Vineyard	Tanunda Creek Road, Eden Valley, South Australia	Vineyard	Freehold
Waikerie Vineyard	Ballantine Road, Waikerie, South Australia	Vineyard	Freehold
Schubert's Vineyard	Schubert Road & Lobethal-Mount Torrens Road, Lobethal, South Australia	Vineyard	Freehold
Balranald Vineyard	Balranald, New South Wales	Vineyard	Freehold
Stephendale Vineyard	Yenda, New South Wales	Vineyard	Freehold
Richmond Grove Vineyard	Padthaway, South Australia	Vineyard	Freehold
Chapel Vineyard	Penola, South Australia	Vineyard	Freehold
Lawsons Vineyard	Padthaway, South Australia	Vineyard	Freehold
Corryton Park Vineyard	Wirra Wirra Road, Pewsey Vale, South Australia	Vineyard	Freehold
Hermitage Road Winery	Pokolbin, New South Wales	Winery	Freehold
Qualco East Vineyard	Waikerie to Cadell Road, Qualco, South Australia, 5233	Vineyard	Freehold
Miamba Vineyard	Miamba Road, Lyndoch, South Australia, 5351	Vineyard	Freehold
Del Rios Vineyard	Coghill Road, Kenley, Vic, 3597	Vineyard	Freehold
Sirens Vineyard	135 Rowcliffe Road, Forest Grove, Western Australia	Vineyard	Freehold
Qualco West Vineyard	Cadell Road, Qualco, Via Waikerie, South Australia	Vineyard	Freehold
New Zealand			
Crownthorpe Vineyard	Matapiro Road, Crownthorpe, Hawkes Bay	Vineyard	Freehold
Rarangi Vineyard	Neal Road, Marlborough	Vineyard	Freehold
Dashwood Vineyard	Redwood Pas Road, Marlborough	Vineyard	Freehold

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") which has been renamed as Corporate Governance Code ("CG Code") with effect from 1 April 2012, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2011.

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

I. CODE PROVISIONS

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**The Board** ***Corporate Governance Principle*** *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	√	• The Board meets regularly and held meetings in February, May, July and November of 2011. • Details of Directors' attendance records in 2011: **Members of the Board — Attendance** **Executive Directors** LI Tzar Kuoi, Victor *(Chairman)* — 4/4 KAM Hing Lam *(President and Chief Executive Officer)* — 4/4 IP Tak Chuen, Edmond — 4/4 YU Ying Choi, Alan Abel — 4/4 CHU Kee Hung — 4/4 **Non-executive Directors** Peter Peace TULLOCH *(Non-executive Director)* — 4/4 WONG Yue-chim, Richard *(Independent Non-executive Director)** — 4/4 KWOK Eva Lee *(Independent Non-executive Director)* — 4/4 Colin Stevens RUSSEL *(Independent Non-executive Director)* — 4/4 * Attended three meetings in person and one meeting by his proxy, Mr. Colin Stevens Russel • 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. An updated and consolidated version of the Company's Memorandum and Articles of Associations (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	√	• All Directors are consulted as to whether they wish to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	- At least 14 days notice for regular board meetings - Reasonable notice for other board meetings	√ √	• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings. • At least 14 days formal notice would be given before each regular meeting.
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	√	• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

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

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.2</td><td colspan="3">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.</td></tr>
<tr><td>A.2.1</td><td>- Separate roles of chairman and chief executive officer not to be performed by the same individual
- Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.</td><td>√
√</td><td>• The positions of the Chairman of the Board and the Chief Executive Officer are currently held by separate individuals.
• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.
• The Chief Executive Officer, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.</td></tr>
<tr><td>A.2.2</td><td>The chairman should ensure that all directors are properly briefed on issues arising at board meetings.</td><td>√</td><td>• 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 May and November of 2011. Details of the attendance records of the meetings are as follows:
<table>
<tr><th></th><th>Attendance</th></tr>
<tr><td>Chairman</td><td></td></tr>
<tr><td>LI Tzar Kuoi, Victor</td><td>2/2</td></tr>
<tr><td>Non-executive Director</td><td></td></tr>
<tr><td>Peter Peace TULLOCH</td><td>2/2</td></tr>
<tr><td>Independent Non-executive Directors</td><td></td></tr>
<tr><td>WONG Yue-chim, Richard *</td><td>2/2</td></tr>
<tr><td>KWOK Eva Lee</td><td>2/2</td></tr>
<tr><td>Colin Stevens RUSSEL</td><td>2/2</td></tr>
</table>
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.
* Attended one meeting in person and one meeting by his proxy, Mr. Colin Stevens Russel</td></tr>
<tr><td>A.2.3</td><td>The chairman should be responsible for ensuring that directors receive clear, adequate information, which must be complete, accurate and reliable, in a timely manner.</td><td>√</td><td>• 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 as appropriate.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3	**Board composition** ***Corporate Governance Principle*** *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 154. • The Directors' biographical information and the relationships among the Directors are set out on pages 25 to 27. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.
A.4	**Appointments, re-election and removal** ***Corporate Governance Principle*** *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	√	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices.
A.4.2	- All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. - Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	√ √	• In accordance with the Company's Articles of Association, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the Board) following their appointment. • The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. • All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the Code on CG Practices. • The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. • The Company has published the procedures for shareholders to propose a person for election as a Director on its website.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.5</td><td colspan="3">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.
- 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.</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.
• During the year, the Company had arranged at the cost of the Company for Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions.
• In addition, the Company had from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.</td></tr>
<tr><td>A.5.2</td><td>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</td><td>
√
√
√
√</td><td>• 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 Committee and Remuneration Committee of the Company.</td></tr>
<tr><td>A.5.3</td><td>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.</td><td>√</td><td>• 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 area of knowledge and expertise.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.4	- Directors must comply with the Model Code. - Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	√ √	• The Company 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 2011. • 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. • The Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. In December 2011, such policy has been posted on the Company's internal website.
A.6	**Supply of and access to information** ***Corporate Governance Principle*** *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
A.6.1	- Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting - So far as practicable for other board or board committee meetings	√ √	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.6.2	- Management has an obligation to supply the board and its committees with adequate and reliable 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.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>B.</td><td colspan="3">REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT</td></tr>
<tr><td>B.1</td><td colspan="3">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.</td></tr>
<tr><td>B.1.1</td><td>Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors</td><td>√</td><td>• 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, and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.
• Since the publication of the Company's 2010 annual report in March 2011, meetings of the Remuneration Committee were held in November 2011 and January 2012. 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 — 2/2
KWOK Eva Lee* (Chairman of the Remuneration Committee) — 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.

* Appointed as Chairman of the Remuneration Committee with effect from 1 January 2012 in place of Mr. Li Tzar Kuoi, Victor

• The following is a summary of the work for the Remuneration Committee during the said meetings:
1. Review of the remuneration policy for 2011/2012;
2. Review and approval of the remuneration of Non-executive Directors;
3. Review of the annual performance bonus policy; and
4. Review and approval of remuneration packages of Executive Directors.</td></tr>
<tr><td>B.1.2</td><td>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.</td><td>√</td><td>• 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.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.3	Terms of reference of the remuneration committee should include: - determine the specific remuneration packages of all executive directors and senior management - review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment - recommend to the board on the remuneration of non-executive directors - ensure that no director or any of his associates is involved in deciding his own remuneration	√	• The terms of reference of the Remuneration Committee (both English and Chinese versions), 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 websites of the Company and HKEx. • The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors.
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 websites of the Company and HKEx. • 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.
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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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 45 and 46.
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.
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.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>C.2.1
(cont'd)</td><td></td><td></td><td>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.</td></tr>
<tr><td>C.2.2</td><td>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.</td><td>√</td><td>• The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2012 and noted that the Company has been in compliance with the Code Provision for the year 2011. Please also refer to C.3.3 of Part I.</td></tr>
<tr><td>C.3</td><td colspan="3">Audit Committee
Corporate Governance Principle
The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</td></tr>
<tr><td>C.3.1</td><td>- Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.
- Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting</td><td>√
√</td><td>• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.
• Audit Committee meetings were held in February and July of 2011. 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 2011:
1. Review of the financial reports for 2010 annual results and 2011 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.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (cont'd)			• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted 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 7 March 2012 that the system of internal controls was adequate and effective. • On 7 March 2012, the Audit Committee met to review the Group's 2011 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 2011 Annual Report complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31 December 2011. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2012 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2012 annual general meeting. • The Group's Annual Report for the year ended 31 December 2011 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.
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 (both English and Chinese versions), 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 websites of the Company and HKEx.
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 websites of the Company and HKEx.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4 (cont'd)			• 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 2011. • The terms of reference of the Audit Committee were revised with effect from 1 January 2012 to include the following corporate governance functions delegated by the Board: 1. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; 2. Review and monitor the training and continuous professional development of Directors and senior management; 3. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; 4. Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and 5. Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.
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 2012. • For the year ended 31 December 2011, the external auditor of the Company received approximately HK$11,522,000 for audit services and approximately HK$11,407,000 for non-audit services, comprising reporting accountants on acquisition of business of approximately HK$1,896,000, tax compliance and advisory services of approximately HK$9,163,000 and consultancy services of approximately HK$348,000.
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	√	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 148. • 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. • Specifically, the Board has had in place Guidelines For Treasury Investments stating the authority limits of treasury investments under different scenarios beyond which Board approval will be required.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	√	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Chief Executive Officer, management is responsible for the day-to-day operations of the Group.
D.2	**Board Committees** ***Corporate Governance Principle*** *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	• Two Board Committees, namely, Audit Committee and Remuneration Committee, have been established with specific terms of reference as mentioned in C.3.3 and B.1.3 of Part I above.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**Effective communication** ***Corporate Governance Principle*** *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
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.
E.1.2	- The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting. - The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	√ √	• In 2011, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2011 annual general meeting and were available to answer questions. • Details of Directors' attendance records of the 2011 annual general meeting are as follows: **Members of the Board** — **Attendance** **Executive Directors** LI Tzar Kuoi, Victor *(Chairman of the Board)* — 1/1 KAM Hing Lam — 1/1 IP Tak Chuen, Edmond — 1/1 YU Ying Choi, Alan Abel — 1/1 CHU Kee Hung — 1/1 **Non-executive Directors** Peter Peace TULLOCH *(Non-executive Director)* — 1/1 WONG Yue-chim, Richard *(Independent Non-executive Director)(Chairman of the Audit Committee)* — 1/1 KWOK Eva Lee* *(Independent Non-executive Director) (Chairman of the Remuneration Committee)* — 1/1 Colin Stevens RUSSEL *(Independent Non-executive Director)* — 1/1 * Appointed as Chairman of the Remuneration Committee with effect from 1 January 2012 in place of Mr. Li Tzar Kuoi, Victor

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.1.2 (cont'd)			• In 2011, the Company's external auditor attended the annual general meeting and was 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. • In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness. • The particulars of shareholders' rights relating to, inter alia, convening of extraordinary general meetings and making enquiries to the Company are as follows: 1. The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Articles of Association of the Company ("Articles") set out the rights of shareholders. 2. Any two or more shareholders holding not less than one-tenth of the paid-up capital of the Company or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Articles, request the Board to convene an extraordinary general meeting pursuant to Article 72 of the Articles. The objects of the meeting must be stated in the written requisition which must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal. 3. Pursuant to Article 120 of the Articles, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice of his/her intention to propose such person for election as a Director with the Company Secretary during a period, as may from time to time be designated by the Company, of at least seven days, which shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.1.2 (cont'd)			4. In conducting a poll, subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for each share registered in his/her/its name in the register. On a poll a shareholder entitled to more than one vote is under no obligation to cast all his/her votes in the same way. 5. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Article 167 of the Articles. 6. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications. 7. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.
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 2011 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 2011 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2011 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 2011 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 HKEx.

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 2011/2012.
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 2011. The meeting held in November 2011 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 2012 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 wish to include any matter in the agenda before the agenda for each Board Committee meeting is issued.
	A.1.3		• Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend the meetings.
	- At least 14 days notice for regular board meetings	C	
	- 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		• The Company Secretary prepares minutes/written resolutions and keeps records of substantive matters discussed and decisions resolved at Board Committee meetings.
	- Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.	C	• Board Committee minutes/written resolutions are sent to all Board Committee members within a reasonable time (generally within 14 days) after each Board Committee meeting.
	- Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	C	• Board Committee minutes/written resolutions are available for inspection by Board Committee members.
	A.1.6		• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached.
	- Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.	C	• Board Committee members are given an opportunity to comment on the draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.
	- Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C	
	A.1.7		• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	- A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense	C	
	- The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her duties to the company.	C	
	A.1.8		• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable.
	- If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.	C	• In case of conflict of interests, relevant Directors will refrain from voting. The relevant Directors, who have been members of the Remuneration Committee, refrained from voting at decisions made in respect of his/her own remuneration package.
	- Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2	**Chairman and Chief Executive Officer** ***Corporate Governance Principle*** *There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.*		
A.2.4	- Chairman to provide leadership for the board - The chairman should ensure that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner. - The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate such responsibility to a designated director or the company secretary.	C C C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in February, May, July and November of 2011. • 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 May and November of 2011. Please refer to A.2.2 of Part I above for details of attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors as set out in E.1.2 of Part I above.
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II above for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3	**Board composition** ***Corporate Governance Principle*** *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	C	• The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. At least one-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors identifying their role and function together with their biographical information, and whether they are independent non-executive directors. In March 2012, the updated list of Directors has been posted on the website of HKEx. The Company has also posted on its website and website of HKEx 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.
A.4	**Appointments, re-election and removal** ***Corporate Governance Principle*** *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.3	- If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. - The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.	C C	• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. • The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. In respect of two Independent Non-executive Directors who have served more than nine years, the Company had expressed its view in the circular as regards such Directors' independence. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.
A.4.4 – A.4.8	- The company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors.	E	• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (cont'd)	- The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties. - It is recommended that the nomination committee should discharge the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes; (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer. - The 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.		• At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer. • Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision. • 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.
	- 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. • During the year, the Company had arranged at the cost of the Company for Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. • In addition, the Company had from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. • The Directors have provided to the Company their records of training received during the year 2011.
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, C.3.1 and E.1.2 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, C.3.1 and E.1.2 of Part I above for details of attendance records.

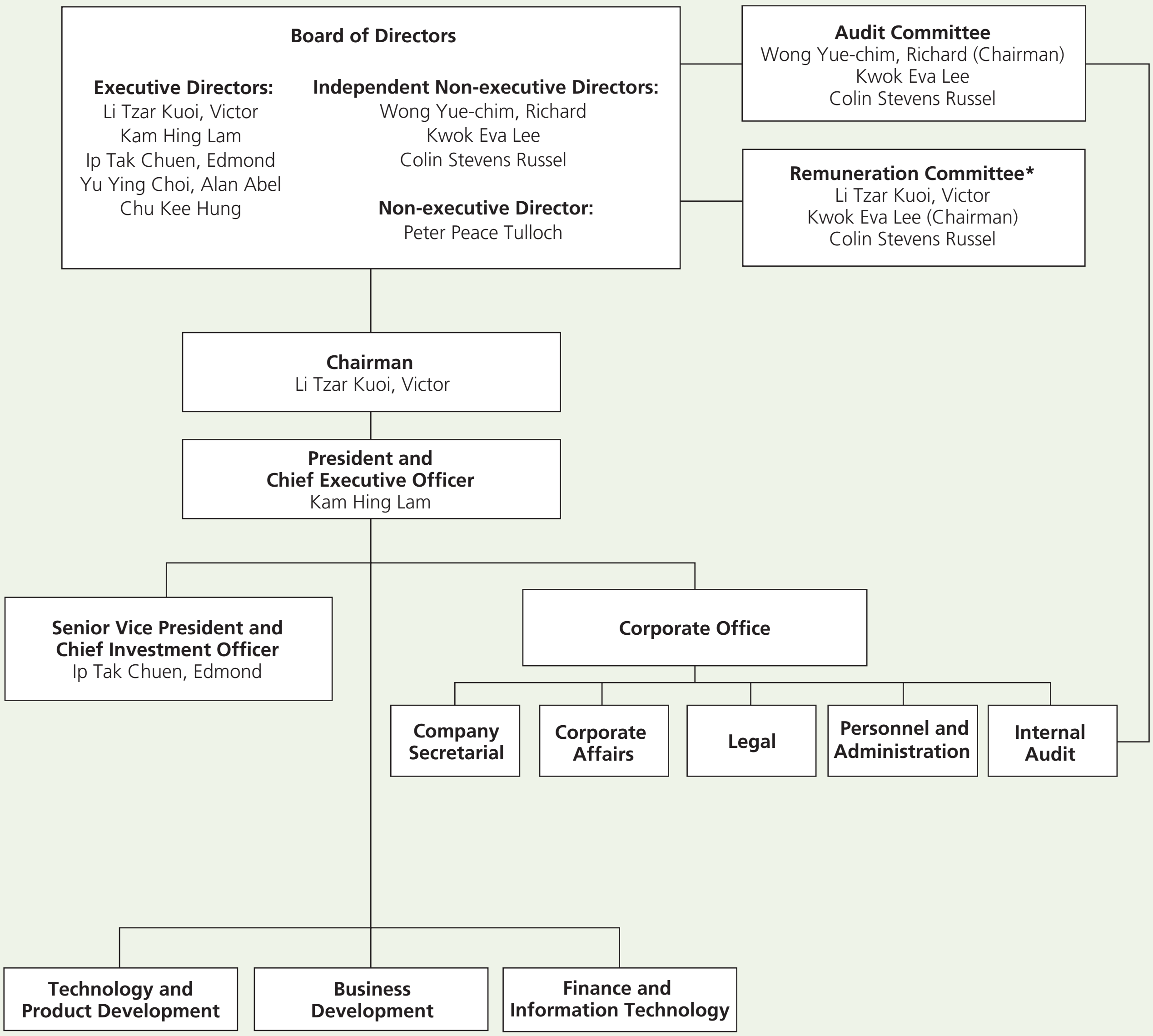
Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6	**Supply of and access to information** ***Corporate Governance Principle*** *Directors should be provided in a timely manner with appropriate information in such form and of such 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 2011. Please refer to note 38 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.	C	• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 38 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to senior management.
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. - 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.	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. • Please refer to C.1.4 of Part II above for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2	**Internal controls** ***Corporate Governance Principle*** *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.3	The board's annual review should, in particular, consider: - the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment; - the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance; - the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed; - the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and - the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.	C C C C C	• The Board, through the Audit Committee, reviews annually the effectiveness of system of internal control of the Company and its subsidiaries, such review considers: - the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment; - the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function; - the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management; - any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and - the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.
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: - the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;	C	• 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.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4 (cont'd)	- 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 (whether these relate to their career development or any other grievances and complaints they may have). The Company considers such mechanisms to be sufficient to ensure that there is a channel for employees to have a direct communication with the management of the Company. • The Company has established a whistleblowing policy and system for employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group. Such policy and procedures will be included into the Company's Personnel Manual and posted on the Company's website. • The terms of reference of the Audit Committee were revised with effect from 1 January 2012 to include reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.
	- to act as the key representative body for overseeing the company's relation with the external auditor.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**Management functions** ***Corporate Governance Principle*** *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 148.
D.1.4	Directors should clearly understand delegation arrangements in place. To that end, the company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	E	• In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment.
D.2	**Board Committees** ***Corporate Governance Principle*** *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
There is no recommended best practice under Section D.2 in the Code on CG Practices.			
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**Effective communication** ***Corporate Governance Principle*** *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
There is no recommended best practice under Section E.1 in the Code on CG Practices.			
E.2	**Voting by poll** ***Corporate Governance Principle*** *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
There is no recommended best practice under Section E.2 in the Code on CG Practices.			

MANAGEMENT STRUCTURE CHART



* With effect from 1 January 2012, Mrs. Kwok Eva Lee has been appointed as Chairman of the Remuneration Committee in the stead of Mr. Li Tzar Kuoi, Victor.

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

Global economy has remained highly uncertain as the European sovereign debt crisis continues to threaten the global financial markets and risks of a prolonged period of slowing growth in the advanced economies are increasing. The negative repercussions of a tight global credit market have led to unprecedented volatility in stock and commodity markets, high unemployment rate, and a contraction of economic activities in emerging markets as well as major developed economies. The Group has investments in different countries and cities around the world. Any continuing adverse economic conditions in those countries and cities in which the Group operates may 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.

WINE AND VINEYARD MARKET

The Group became the second largest vineyard owner in Australasia following its acquisition of Challenger Wine Trust in February 2011. The vineyards are mostly leased to well-established wine industry operators and provide immediate and recurring cashflow to the Group. The continued success of the Group will depend in part on its ability to maintain such cashflow. There is no assurance that the Group's tenants will continue to pay the rent during their existing lease term, or that the leases will be renewed at favorable terms upon their expiry. Furthermore, the market value of the vineyard portfolio is subject to fluctuations which may impact on the Group's income or financial position.

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 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
KWOK Eva Lee *(Chairman)*
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
National Australia Bank Limited
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

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	7 March 2012
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	21 to 24 May 2012 *(both days inclusive)*
Annual General Meeting	24 May 2012
Record Date (for determination of shareholders who qualify for the Final Dividend)	30 May 2012
Payment of Final Dividend	11 June 2012

This annual report 2011 ("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.

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