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**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)

## **THE CHAIRMAN'S STATEMENT FOR 2009**

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

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

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

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

### **Nutraceutical Business Delivered Improved Performance**

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

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

## **Agriculture Business Performed Satisfactorily**

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

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

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

## **Continuing R&D Advancement**

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

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

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

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

## **Good Investment Income**

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

## **Prospects**

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

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 1 March 2010

## **FINANCIAL REVIEW**

### **Financial Resources, Liquidity and Treasury Policies**

In 2009, the financial and liquidity position of the Group continued to be sound and healthy. It obtained its finances mainly from internal sources such as cash generated from business activities as well as external source such as bank borrowings.

The external financing by bank loans was mainly for the purpose of acquiring the Group's overseas businesses. As at 31 December 2009, the total bank loans and overdrafts amounted to HK\$1,061,685,000. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, the overseas subsidiaries had also pledged to banks all their assets which had a carrying value of HK\$184,989,000 as at 31 December 2009 for loans and overdrafts of HK\$117,885,000. The total finance costs of the Group for the year were HK\$18,110,000.

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

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

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

## **Material Acquisitions/Disposals and Significant Investments**

In June 2009, the Group completed the disposal of a distribution division of an overseas subsidiary (the “Disposal”). The Disposal constitutes a discloseable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and details of which are incorporated in the Company’s announcement issued on 1 June 2009 and included in note 9 to the consolidated financial statements for the year ended 31 December 2009.

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$67,767,000 in 2009.

## **Capital Commitments and Future Plans for Material Investments or Capital Assets**

As of 31 December 2009, the total capital commitments by the Group amounted to HK\$5,569,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

## **Information on Employees**

The total number of full-time employee of the Group was 1,152 at the end of 2009, and is 163 less than the total headcount of 1,315 at the end of 2008. The total staff costs, including director’s emoluments, amounted to approximately HK\$544.5 million for the year under review, which represents a decrease of 13% as compared to the previous year. The decreases in staff costs were mainly due to the effective cost control of the Group.

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

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2009 (2008: Nil).

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2009**

	Notes	<u>2009</u> HK\$'000	<u>2008</u> HK\$'000
Turnover	3	<b>2,678,889</b>	2,991,797
Cost of sales		<b>(1,839,133)</b>	(2,084,217)
		<b>839,756</b>	907,580
Other income, gains and losses	4	<b>292,345</b>	(275,863)
Staff costs	5	<b>(310,077)</b>	(344,459)
Depreciation		<b>(34,724)</b>	(31,876)
Amortisation of intangible assets		<b>(47,808)</b>	(50,412)
Other expenses	6	<b>(494,779)</b>	(442,233)
Revaluation deficit on building		-	(11,420)
Finance costs	7	<b>(18,110)</b>	(66,982)
Share of results of associates		<b>(11,272)</b>	(9,878)
Profit / (loss) before taxation		<b>215,331</b>	(325,543)
Taxation	8	<b>(29,271)</b>	(27,540)
Profit / (loss) for the year		<b>186,060</b>	(353,083)
Attributable to:			
Equity holders of the Company		<b>187,098</b>	(351,768)
Minority interests		<b>(1,038)</b>	(1,315)
		<b>186,060</b>	(353,083)
Earnings / (loss) per share	10		
- Basic		<b>1.95 cents</b>	(3.66 cents)
- Diluted		<b>1.95 cents</b>	(3.66 cents)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2009**

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

		2009	2008
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		458,923	432,803
Prepaid lease for land		11,761	12,074
Intangible assets		3,972,183	3,722,997
Interests in associates		17,842	44,472
Convertible debentures issued by an associate		-	58,885
Available-for-sale investments		150,101	209,343
Investments at fair value through profit or loss		192,839	58,430
Deferred taxation		21,056	19,076
Long-term receivables	9	38,580	-
		4,863,285	4,558,080
<b>Current assets</b>			
Debt investment		-	59,474
Investments at fair value through profit or loss		163,171	139,351
Derivative financial instruments		2,633	15,780
Tax recoverable		762	3,629
Inventories		425,921	463,711
Receivables and prepayments	12	805,906	615,195
Deposits with financial institutions		-	44,952
Bank balances and deposits		636,895	303,554
		2,035,288	1,645,646
<b>Current liabilities</b>			
Payables and accruals	13	(621,545)	(588,995)
Derivative financial instruments		(23,087)	(99,398)
Bank overdrafts		(385)	(7,445)
Finance lease obligations		(580)	(494)
Taxation		(48,695)	(19,945)
		(694,292)	(716,277)
<b>Net current assets</b>		1,340,996	929,369
<b>Total assets less current liabilities</b>		6,204,281	5,487,449
<b>Non-current liabilities</b>			
Bank loans		(1,061,300)	(1,045,675)
Finance lease obligations		(807)	(1,108)
Loan from a minority shareholder		(34,333)	(25,907)
Deferred taxation		(31,273)	(29,887)
		(1,127,713)	(1,102,577)
<b>Total net assets</b>		5,076,568	4,384,872
<b>Capital and reserves</b>			
Share capital		961,107	961,107
Share premium and reserves		3,944,251	3,309,661
<b>Equity attributable to equity holders of the Company</b>		4,905,358	4,270,768
Share option reserve of a subsidiary		55	-
Minority interests		171,155	114,104
<b>Total equity</b>		5,076,568	4,384,872



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2009

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organisation and Operations

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialisation, marketing and selling of environmental and human health products, as well as investment in various financial and investment products.

### 2. Application of New and Revised Hong Kong Financial Reporting Standards

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

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

#### ***HKAS 1 (Revised 2007) Presentation of Financial Statements***

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

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

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

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

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

### 3. Turnover

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

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

### 4. Other income, gains and losses

	<u>2009</u>	<u>2008</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	5,886	14,973
Interest income from convertible debentures issued by an associate	11,026	6,732
Other interest income	3,568	-
Gain on disposal of assets (note 9)	20,863	-
Impairment on available-for-sale investments	-	(27,104)
Gain on disposal of available-for-sale investments	26,918	-
Net gain / (loss) on investments at fair value through profit or loss		
- Investments held for trading	49,971	17,183
- Others	134,410	(256,850)
Net gain / (loss) on derivative financial instruments	<u>24,773</u>	<u>(43,499)</u>

### 5. Staff Costs

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

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

## 6. Other Expenses

Included in other expenses are intangible assets written off of HK\$150,102,000 (2008: Nil). In the current year, the management decided to discontinue certain development projects. Accordingly, related development and patents costs previously capitalised with carrying values totaling HK\$150,102,000 were written off.

## 7. Finance Costs

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

## 8. Taxation

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

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.

## 9. Disposal of assets

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

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

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

	<u>2009</u> HK\$'000
Promissory Note	86,020
Less: Current portion included in receivables and prepayments (note 12)	<u>(47,440)</u>
Non-current portion included in long-term receivables	<u>38,580</u>

## 10. Earnings / (Loss) Per Share

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

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

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

## 11. Dividends

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

## 12. Receivables and Prepayments

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

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

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

	<u>2009</u>	<u>2008</u>
	HK\$'000	HK\$'000
0 - 90 days	527,669	423,584
Over 90 days	<u>37,066</u>	<u>52,308</u>
	<u><b>564,735</b></u>	<u><b>475,892</b></u>

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

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

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

### 13. Payables and Accruals

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

The ageing analysis of trade payables is as follows:

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

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

### 14. Segment Information

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

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



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

(a) Reportable segment information

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

(b) Geographical information

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

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

Notes :

- i. Turnover excluding investment income generated from financial instruments.
- ii. Non-current assets excluding financial instruments and deferred tax assets.

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

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

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2009.

## **AUDIT COMMITTEE**

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 an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which may from time to time be modified, in accordance with the provisions set out in the Code on CG Practices.

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 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.

The Group's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

According to the Code on CG Practices, the Company established its remuneration committee (“Remuneration Committee”) on 1 January 2005 with a majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel.

## **ANNUAL GENERAL MEETING**

The 2010 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 7 May 2010 at 10:00 a.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 30 April 2010 to Friday, 7 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2010 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 29 April 2010.

*As at the date of this document, the Executive Directors of the Company are Mr. Li Tzar Kuoi, Victor (Chairman), Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Yu Ying Choi, Alan Abel and Dr. Chu Kee Hung; and the Non-executive Directors are Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard (Independent Non-executive Director), Mrs. Kwok Eva Lee (Independent Non-executive Director) and Mr. Colin Stevens Russel (Independent Non-executive Director).*