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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)

INTERIM RESULTS FOR 2010

2010 First Half Results

<u>HK\$ Million</u>	<u>1H 2010</u>	<u>1H 2009</u>	<u>Variance</u>
Sales revenue	1,322.5	1,311.2	+1%
Profit before fair value changes on financial instruments	77.0	72.1	+7%
Fair value changes on financial instruments*	(28.4)	184.4	N/A
Profit after fair value changes on financial instruments i.e. profit attributable to shareholders	48.6	256.5	-81%

**Note: Amongst the Company's investment portfolio is a stake in Ruinian International Limited, a company listed on The Stock Exchange of Hong Kong Limited. The current valuation of this investment is well in excess of its book cost. Such fair value changes are not included in the Company's Consolidated Income Statement for the first half of 2010.*

CK Life Sciences Int'l. (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved a satisfactory operational performance during the first half of 2010. The Company recorded sales revenue of HK\$1,322.5 million, a marginal increase of 1% as compared to the same period last year.

Profit before fair value changes on financial instruments was HK\$77 million, a 7% increase over the corresponding period last year.

After taking fair value changes on financial instruments into consideration, profit attributable to shareholders was HK\$48.6 million, an 81% decrease over last year.

During the period of 1 January to 30 June 2010, the fair value changes on financial instruments were reported as a loss of HK\$28.4 million. By comparison, during the previous period of 1 January to 30 June 2009, the fair value changes on financial instruments were reported as a gain of HK\$184.4 million. This shift in fair value changes on financial instruments between the two reporting periods is mainly caused by the sharp market rebound in 2009 subsequent to the severe depression in 2008, whereas a drop occurred during the first half of 2010. Fair value changes on financial instruments are affected by the performance of the financial market during different periods under review and do not reflect the Company's operational performance.

The Board of Directors has not declared any interim dividend for the period under review (2009: Nil).

STEADY PERFORMANCE FROM NUTRACEUTICAL BUSINESS

For the six months under review, the Company's nutraceutical business recorded turnover of HK\$926.8 million, a marginal 4% decline as compared to the same period last year. Our Australian nutraceutical business has benefitted from a general improvement in the country's economic environment. Leading health supplement brands have been more confident in stocking up in anticipation of an upturn in the retail sector. Development of new products and formulations also helped Lipa Pharmaceuticals Limited in Australia to improve pricing and margins. In North America, although the economic environment in the United States was less sanguine, and retailers in Québec, Canada delayed stock build-up ahead of implementation of new regulations on product registration, we are optimistic about the prospects of our nutraceutical business in the continent.

GOOD GROWTH IN AGRICULTURE BUSINESS

The Company's agriculture business achieved improved turnover of HK\$395.7 million, a 15% increase over the same period last year. This strong growth can be attributed to higher commodity prices, a break in the drought in Australia and stronger exchange rates. Higher commodity prices enabled achievement of better margins, and better consumer sentiments resulted in an upturn in the home garden segment. In the broadacre segment of the market, a break in the drought gave customers more confidence when placing orders in anticipation of a strong season.

SUSTAINED R&D PROGRESS

Good R&D progress was made by CK Life Sciences during the period under review.

For the Company's tetrodotoxin ("TTX")-based cancer pain management product, continued advancements were made in Phase III clinical trial under Health Canada. Patient enrollment remained steady and an interim data analysis is expected in the near future. In addition to the current clinical trial sites in Canada, new sites in Australia and New Zealand are expected to join the trial later in the year. Plans are also underway to evaluate the efficacy of TTX in other indications, such as chemotherapy-induced neuropathic pain.

In regard to CK Life Sciences' melanoma vaccine, good progress has been made in the manufacturing of clinical trial materials. Further to the Company's previous pre-Investigational New Drug meeting with the United States Food and Drug Administration ("FDA"), a Chemistry, Manufacturing and Controls ("CMC") package and a Special Protocol Assessment ("SPA") package, which incorporates information such as the clinical trial protocol, Investigator Brochure and statistical analysis plan, have been submitted to the FDA. The submission of both information packages represents a significant milestone in CK Life Sciences' pathway towards an Investigational New Drug application in the near future, which would allow the commencement of Phase III clinical trial for the melanoma vaccine.

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

PROSPECTS

The Company is confident about its full-year results for 2010.

The outlook for CK Life Sciences' key markets in Hong Kong, Australia and North America are positive. We will strive to deliver strong organic growth in our existing operations.

At the same time, opportunities to expand CK Life Sciences' businesses will also be carefully considered.

On the R&D front, the Company will continue research initiatives in targeted therapies for cancer.

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, 26 July 2010

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2010, the total assets of the Group were about HK\$7,039.1 million, of which bank balances and time deposits were about HK\$565.9 million and treasury investments were about HK\$882.7 million. The bank interest generated for the first six months of 2010 was HK\$4.5 million. The net loss arising from the Group's investment segment for the period ended 30 June 2010 was HK\$6.0 million.

At the end of the period under review, the total liabilities were HK\$1,762.4 million, comprising total bank loans and overdrafts of HK\$1,062.0 million. These bank loans were raised for financing the acquisition of overseas subsidiaries as well as providing general working capital for some of the overseas subsidiaries. They are due for repayment by mid-2011. Total finance cost incurred for the six months ended 30 June 2010 was HK\$8.5 million. As at 30 June 2010, the Group's gearing ratio was approximately 9.7%, calculated on the basis of the Group's net borrowings (after deducting cash, bank balances and time deposits of HK\$565.9 million) over the equity attributable to equity holders of the Company. The net asset value of the Group was HK\$0.55 per share.

Treasury Policies

The Group continues to adopt a prudent treasury policy and manage most of its treasury functions at the head office regarding its funding needs, foreign exchange and interest rate exposures.

Most of the Group's financial instruments are denominated in US and Hong Kong dollars and thus exchange rate risk associated with such investments is low. The Group's borrowings are principally on a floating rate basis. To minimise its interest rate risk, the Group has been regularly and closely monitoring its overall net debt position, and reviewing its funding costs and loan maturity profile so as to facilitate refinancing whenever appropriate.

Charge on Assets

As at 30 June 2010, the Group's interests in certain subsidiary companies with carrying value of HK\$164.0 million were pledged as part of the security for a bank loan and overdraft totalling HK\$118.2 million granted to the subsidiary companies.

Material Acquisitions/Disposals and Significant Investments

Except for the Group's acquisition of additional interests in certain non-wholly owned subsidiaries as detailed in note 2 to the condensed consolidated financial statements, there was no material acquisition/disposal during the period under review.

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about HK\$43.6 million for the period ended 30 June 2010.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2010, the total capital commitments by the Group amounted to HK\$5.4 million which were mainly made up of contracted commitments in respect of the acquisition of computers, plant and equipments.

Information on Employees

The total number of full-time employee of the Group was 1,173 as at 30 June 2010, and is 50 more than the total headcount of 1,123 in the same period of 2009. The total staff costs, including director's emoluments, amounted to approximately HK\$293.8 million for the six months ended 30 June 2010, which represents an increase of 9% as compared to the same period of 2009. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2009.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Turnover	3	1,326,315	1,320,246
Cost of sales		(917,124)	(894,666)
		409,191	425,580
Other income, gains and losses	4	13,654	227,724
Staff costs	5	(167,705)	(158,011)
Depreciation		(11,815)	(14,046)
Amortisation of intangible assets		(22,299)	(22,793)
Other expenses		(150,644)	(174,015)
Finance costs		(8,483)	(9,602)
Share of results of associates		-	(6,777)
Profit before taxation		61,899	268,060
Taxation	6	(14,562)	(11,466)
Profit for the period		47,337	256,594
 Attributable to:			
Equity holders of the Company		48,635	256,454
Non-controlling interests		(1,298)	140
		47,337	256,594
Earnings per share	7		
- Basic		0.51 cents	2.67 cents
- Diluted		0.51 cents	2.67 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Profit for the period	<u><u>47,337</u></u>	<u><u>256,594</u></u>
Other comprehensive income		
Exchange difference arising from translation of overseas operations	(91,075)	214,158
Gain on fair value changes of available-for-sale investments	<u><u>405,000</u></u>	<u><u>157</u></u>
Income tax relating to components of other comprehensive income	(66,925)	-
Other comprehensive income for the period	<u><u>247,000</u></u>	<u><u>214,315</u></u>
Total comprehensive income for the period	<u><u>294,337</u></u>	<u><u>470,909</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	294,636	470,769
Non-controlling interests	(299)	140
	<u><u>294,337</u></u>	<u><u>470,909</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 (unaudited) HK\$'000	As at 31 December 2009 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	443,500	458,923
Prepaid lease for land		11,604	11,761
Intangible assets	10	3,926,444	3,972,183
Interests in associates		18,041	17,842
Available-for-sale investments		576,058	150,101
Investments at fair value through profit or loss		184,720	192,839
Deferred taxation		26,600	21,056
Long-term receivables		26,040	38,580
Time Deposits		65,880	-
		5,278,887	4,863,285
Current assets			
Investments at fair value through profit or loss		120,312	163,171
Derivative financial instruments		1,562	2,633
Tax recoverable		731	762
Inventories		404,773	425,921
Receivables and prepayments	11	732,878	805,906
Time Deposits		51,972	-
Bank balances and deposits		448,007	636,895
		1,760,235	2,035,288
Current liabilities			
Payables and accruals	11	(499,898)	(621,545)
Derivative financial instruments		(24,910)	(23,087)
Bank overdrafts	12	(1,389)	(385)
Bank loans	12	(116,775)	-
Finance lease obligations		(298)	(580)
Taxation		(53,369)	(48,695)
		(696,639)	(694,292)
Net current assets		1,063,596	1,340,996
Total assets less current liabilities		6,342,483	6,204,281
Non-current liabilities			
Bank loans	12	(943,800)	(1,061,300)
Finance lease obligations		(716)	(807)
Loan from a non-controlling shareholder		(29,746)	(34,333)
Deferred taxation		(91,474)	(31,273)
		(1,065,736)	(1,127,713)
Total net assets		5,276,747	5,076,568

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONT'D)**

	Notes	As at 30 June 2010 (unaudited) HK\$'000	As at 31 December 2009 (audited) HK\$'000
Capital and reserves			
Share capital	13	961,107	961,107
Share premium and reserves		4,147,380	<u>3,944,251</u>
Equity attributable to equity holders of the Company		5,108,487	4,905,358
Share option reserve of a subsidiary		490	55
Non-controlling interests		167,770	<u>171,155</u>
Total equity		5,276,747	<u>5,076,568</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company											
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Employee share-based compensation (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	Share option reserve of a subsidiary (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
2009												
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 period	-	-	-	-	-	-	-	256,454	256,454	-	140	256,594
Exchange difference arising from translation	-	-	-	-	-	-	-	-	-	-	-	214,158
Gain on fair value changes of available-for-sale investments	-	-	-	214,158	-	-	-	-	214,158	-	-	214,158
Total												
comprehensive income for the period	-	-	157	214,158	-	-	-	256,454	470,769	-	140	470,909
Employee's share option lapsed during the period	-	-	-	-	(1,288)	-	-	1,288	-	-	-	-
At 30 June 2009	961,107	4,147,543	157	(222,479)	4,838	-	-	(149,629)	4,741,537	-	114,244	4,855,781
2010												
At 1 January 2010	961,107	4,147,543	-	(14,926)	4,698	-	25,781	(218,845)	4,905,358	55	171,155	5,076,568
Profit for the period	-	-	-	-	-	-	-	48,635	48,635	-	(1,298)	47,337
Exchange difference arising from translation	-	-	-	(92,145)	-	-	-	-	(92,145)	-	1,070	(91,075)
Gain on fair value changes of available-for-sale investments	-	-	-	405,071	-	-	-	-	405,071	-	(71)	405,000
Income tax relating to components of other comprehensive income	-	-	-	(66,925)	-	-	-	-	(66,925)	-	-	(66,925)
Total												
comprehensive income for the period	-	-	338,146	(92,145)	-	-	-	48,635	294,636	-	(299)	294,337
Rights issue of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,972	5,972
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(91,507)	-	-	(91,507)	-	(9,113)	(100,620)
Employees' share options benefits for a subsidiary	-	-	-	-	-	-	-	-	-	435	55	490
Employee's share option lapsed during the period	-	-	-	-	(135)	-	-	135	-	-	-	-
At 30 June 2010	961,107	4,147,543	338,146	(107,071)	4,563	(91,507)	25,781	(170,075)	5,108,487	490	167,770	5,276,747

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Net cash from operating activities	66,671	59,157
Net cash (outflow)/inflow from investing activities	(250,787)	80,993
Net cash outflow from financing activities	(5,776)	(10,580)
(Decrease)/increase in cash and cash equivalents	(189,892)	129,570
Cash and cash equivalents at beginning of the period	636,510	296,109
Cash and cash equivalents at end of the period	446,618	425,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Listing Rules.

They have also been prepared under the historical cost convention, except for certain properties and financial instruments which are measured at revaluated amounts or fair values.

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2009 (the “2009 Financial Statements”), except for the amendments and interpretations of Hong Kong Financial Reporting Standards (“New HKFRSs”) issued by HKICPA which have become effective in this period as detail in note 2 of the 2009 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

2. Acquisition of Additional Interests in Subsidiaries

Wex Pharmaceuticals Inc. (“Wex”)

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

In January 2010, the Rights Offering was completed and a total of 265,483,177 Restricted Shares were issued by Wex for gross proceeds of approximately CAD34.5 million. Upon the completion of the Rights Offering, the Group’s interests in Wex increased from 75.25% to 88.69% through the exercise of both Basic Subscription Right and Additional Subscription Privilege.

Vitaquest International Holdings LLC (“Vitaquest”)

In March 2010, the Group acquired a further 4.75% interest in one of its non-wholly owned subsidiaries, Vitaquest, from an independent third party for a consideration of US\$12.9 million. Upon the completion of the acquisition, the Group’s interests in Vitaquest increased from 80% to 84.75%.

3. Turnover and Segment Information

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:

A. Segment turnover

An analysis of the segment turnover is as follows:

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Environment	395,703	344,452
Health	926,829	966,721
Sales revenue	<u>1,322,532</u>	<u>1,311,173</u>
Investment	<u>3,783</u>	<u>9,073</u>
	<u>1,326,315</u>	<u>1,320,246</u>

B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Segment results		
Environment	32,800	26,705
Health	99,218	114,830
Investment	<u>(6,032)</u>	<u>206,910</u>
	<u>125,986</u>	<u>348,445</u>
Business development expenditure	(8,992)	(8,343)
Research and development expenditure	(22,382)	(27,422)
Corporate expenses	(24,230)	(28,241)
Finance costs	(8,483)	(9,602)
Share of results of associates	<u>-</u>	<u>(6,777)</u>
Profit before taxation	<u>61,899</u>	<u>268,060</u>
Taxation	<u>(14,562)</u>	<u>(11,466)</u>
Profit for the period	<u>47,337</u>	<u>256,594</u>

4. Other Income, Gains and Losses

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	4,472	3,517
Gain on disposal of a division of a subsidiary	-	20,863
Gain on disposal of available-for-sale investments	26,296	26,659
Net gain/(loss) on investments at fair value through profit or loss, and derivative financial instruments	<u>(28,118)</u>	<u>165,962</u>

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2010 amounted to HK\$293.8 million (2009: HK\$268.6 million) of which HK\$126.1 million (2009: HK\$110.6 million) relating to direct labor costs was included in cost of sales.

6. Taxation

Income tax recognised in profit or loss

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current tax		
Hong Kong	4,705	4,430
Other jurisdictions	20,569	14,990
Deferred tax		
Other jurisdictions	<u>(10,712)</u>	<u>(7,954)</u>
	14,562	11,466

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

6. Taxation (cont'd)

Income tax recognised in other comprehensive income

	For the six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Deferred tax		
Arising from gain on fair value changes of available-for-sale investments	<u>66,925</u>	-

7. Earnings per Share

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

	For the six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Profit for the period		
Profit for calculating basic and diluted earnings per share	<u>48,635</u>	256,454
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<u>9,611,073,000</u>	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 six months ended 30 June 2010 and 2009.

8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2010 (2009: Nil).

9. Property, Plant and Equipment

	Freehold land and building HK\$'000	Construction in progress HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other assets HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
Cost or valuation						
At 1 January 2010	210,089	9,571	383,944	110,762	64,402	778,768
Net additions	-	6,442	12,190	1,758	5,700	26,090
Exchange difference	(7,786)	(343)	(11,499)	(1,665)	(855)	(22,148)
At 30 June 2010	202,303	15,670	384,635	110,855	69,247	782,710
Depreciation						
At 1 January 2010	5,785	-	200,915	87,340	25,805	319,845
Provided for the period	1,899	-	15,587	3,159	3,360	24,005
Exchange difference	(241)	-	(3,421)	(800)	(178)	(4,640)
At 30 June 2010	7,443	-	213,081	89,699	28,987	339,210
Carrying Values						
At 30 June 2010	194,860	15,670	171,554	21,156	40,260	443,500
At 31 December 2009	204,304	9,571	183,029	23,422	38,597	458,923

10. Intangible Assets

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Trademark HK\$'000	Customer relationship HK\$'000	Concession assets 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	29,758	-	-	-	-	-	-	29,758
Exchange difference	(1,426)	(11)	(39,333)	(412)	(9,251)	(6,366)	(1,114)	(57,913)
At 30 June 2010	569,114	14,823	2,979,048	92,600	357,277	101,695	7,656	4,122,213
Amortisation								
At 1 January 2010	18,194	2,577	-	-	114,983	35,233	7,198	178,185
Provided for the period	1,215	164	-	-	18,528	2,156	236	22,299
Exchange difference	(3)	(8)	-	-	(2,464)	(2,197)	(43)	(4,715)
At 30 June 2010	19,406	2,733	-	-	131,047	35,192	7,391	195,769
Carrying values								
At 30 June 2010	549,708	12,090	2,979,048	92,600	226,230	66,503	265	3,926,444
At 31 December 2009	522,588	12,257	3,018,381	93,012	251,545	72,828	1,572	3,972,183

11. Receivables and Payables

The Group has a policy of allowing an average credit period of 30 to 90 days to its customers. The ageing analysis of trade receivables and trade payables are as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade receivables		
0 - 90 days	445,571	527,669
Over 90 days	<u>81,883</u>	<u>37,066</u>
	<u>527,454</u>	<u>564,735</u>
Trade payables		
0 - 90 days	162,847	237,455
Over 90 days	<u>3,398</u>	<u>4,653</u>
	<u>166,245</u>	<u>242,108</u>

12. Bank Loans and Bank Overdrafts

Certain bank loans and bank overdrafts are secured by a charge over the assets of certain subsidiary companies.

13. Share Capital

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
Authorised		
At 31 December 2009 and 30 June 2010	<u>15,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 31 December 2009 and 30 June 2010	<u>9,611,073</u>	<u>961,107</u>

14. Related Party Transactions

During the six months ended 30 June 2010, the Group entered into the following transactions with related parties:

- (i) The Group made sales of HK\$11.5 million (2009: HK\$9.6 million) 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 Vitaquest. The total rental payment by the Group to Leknarf amounted to HK\$10.4 million (2009: HK\$8.6 million).

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

During the six months ended 30 June 2010, 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 throughout the six months ended 30 June 2010. It is noted however that in respect of code provision E.1.2 of the Code on CG Practices, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 7 May 2010 due to a sudden indisposition. The Chief Executive Officer chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Articles of Association and was available to answer questions.

AUDIT COMMITTEE

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 interim results for the six months ended 30 June 2010 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 of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel.

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).