



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

長江生命科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)



# Healthy Living

interim report 2011

This interim report 2011 (both English and Chinese versions) (“Interim Report”) has been posted on the Company’s website at [www.ck-lifesciences.com](http://www.ck-lifesciences.com). Shareholders who have chosen (or are deemed to have consented) to read the Company’s corporate communications (including but not limited to the Interim Report) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Interim Report in 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](mailto: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 Interim 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](mailto:cklife.ecom@computershare.com.hk) promptly be sent the Interim 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](mailto:cklife.ecom@computershare.com.hk).

Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.

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# CHAIRMAN'S STATEMENT

## 2011 FIRST HALF RESULTS

HK\$ Million	1H 2011	1H 2010	Variance
Turnover	1,720.2	1,326.3	+ 30%
Agriculture-related	591.2	395.7	+ 49%
Health	1,123.7	926.8	+ 21%
Investment	5.3	3.8	+ 39%
Profit attributable to shareholders	82.3	48.6	+ 69%

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") delivered a strong performance during the first half of 2011.

The Company recorded profit attributable to shareholders of HK\$82 million, a 69% increase over the corresponding period in 2010.

Turnover was HK\$1,720 million, an increase of about 30% as compared to the same period last year.

The growth is mainly attributable to the profit contribution from the newly-acquired vineyard properties in Australia and New Zealand.

The Board of Directors has not declared any interim dividend for the period under review (2010: Nil).

## SOLID GROWTH IN AGRICULTURE-RELATED BUSINESS

Revenue of HK\$591.2 million was recorded by the Company's agriculture-related business during the period under review, representing a 49% increase over the same period last year.

The newly-acquired Challenger Wine Trust ("CWT"), a trust and registered managed investment scheme with vineyards and related infrastructure assets in Australia and New Zealand, has delivered five months of immediate profit contribution to CK Life Sciences. The acquisition marked the Company's inaugural expansion into the vineyard industry. Following the completion of the acquisition in February 2011, CWT has broadened the Company's agricultural reach and has provided steady and immediate cashflow to CK Life Sciences.

Agriculture-related business in Australia has also benefited from higher rain levels throughout the country. The wetter conditions have increased demand for crop protection products.

## CHAIRMAN'S STATEMENT (CONT'D)

### GOOD PERFORMANCE IN NUTRACEUTICAL BUSINESS

CK Life Sciences' nutraceutical portfolio comprising Santé Naturelle A.G. Ltée ("A.G.") in Canada, Vitaquest International Holdings LLC ("Vitaquest") in the United States and Lipa Pharmaceuticals Limited ("Lipa") in Australia, progressed well during the period under review. Sales revenue totalling HK\$1,123.7 million was generated, a 21% increase compared to the same period in 2010.

A.G. completed its transition to new packaging which is more consumer-friendly and product-benefit specific.

In Vitaquest and Lipa, facility upgrades and streamlining of production have taken place and better margins have been generated.

### ADVANCING PROGRESS IN R&D

The Company continued to make steady R&D progress through our two subsidiary companies in North America during the period under review.

Following the completion of the privatisation of WEX Pharmaceuticals Inc. ("WEX Pharma") in May, CK Life Sciences now owns 100% of the Canada-based company. WEX Pharma's tetrodotoxin ("TTX")-based cancer pain management product has made continued headway in the Phase III clinical trial. The patient recruitment process was accelerated by the opening of new clinical trial sites in Australia and New Zealand, in addition to the existing sites in Canada. Plans have also been developed for a Phase II clinical trial to be conducted in the United States which will evaluate TTX for chemotherapy-induced neuropathic pain.

In the United States, research on the Company's melanoma vaccine is making continued progress through our 76% owned subsidiary, Polynoma LLC. Discussions are currently underway with the Food and Drug Administration (FDA) on a Special Protocol Assessment (SPA) for the Phase III clinical trial. Preparation for the filing of an Investigational New Drug (IND) application is being made and the manufacturing of clinical trial materials is progressing steadily.

### NEW FOOD TESTING BUSINESS

CK Life Sciences established the International Food Safety Testing Centre Limited ("IFSTC") to address the growing demand for food testing services in Hong Kong. IFSTC received certification under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) in 2010. The new business commenced operations in the first half of 2011.

## CHAIRMAN'S STATEMENT (CONT'D)

### PROSPECTS

CK Life Sciences is in good spirits about its future prospects.

The steady performance and organic growth of our existing businesses are expected to continue. Going forward, the Company will explore ways to maximise the potential of these businesses.

With cash and liquid assets on hand of around HK\$1.4 billion and a net debt to equity ratio of 28.7%, the Company will continue to seek new investment opportunities around the world, particularly mature businesses similar to CWT which feature security of return and recurrent cashflow.

We are pleased to record a robust performance for the first half of 2011. We believe that the ingredients are in place for continued growth momentum for the rest of the year and beyond.

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 25 July 2011

# DIRECTORS' BIOGRAPHICAL INFORMATION

## **LI Tzar Kuoi, Victor**

aged 46, has been the Chairman of the Company since April 2002 and the Chairman of the Remuneration Committee of the Company since March 2005. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. He is also the Deputy Chairman of Hutchison Whampoa Limited, the Chairman of Cheung Kong Infrastructure Holdings Limited, an Executive Director of Power Assets Holdings Limited, 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 64, is the President and Chief Executive Officer of the Company responsible for overall strategic direction and key operating decisions. He has been instrumental in the formation of the Group. He has been with the Group since its establishment in December 1999 and has played a leading role in developing the Group's corporate direction and strategic vision, and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Kam is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited. 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.

## DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

### **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 (formerly known as Ruinian International Limited) and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust which is listed in Hong Kong and Singapore, 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. Mr. Yu was previously the Chairman of WEX Pharmaceuticals Inc. which had ceased to be a listed company on 5 May 2011 as a result of privatisation. He holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson.

### **CHU Kee Hung**

aged 66, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. Dr. Chu was previously a Director of WEX Pharmaceuticals Inc. which had ceased to be a listed company on 5 May 2011 as a result of privatisation. 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.



## DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

### **TULLOCH, Peter Peace**

aged 67, 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 ("HKMEEx"). Except for HKMEEx, 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.

## DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

### **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 and is a member of the Audit Committee and the Remuneration Committee of the Company.

### **RUSSEL, Colin Stevens**

aged 70, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. Mr. Russel also acts as the Managing Director of EMAS (HK) Limited. He is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and ARA Asset Management Limited, and a Non-executive Director of Husky Energy Inc., all being listed companies. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada. Mr. Russel was appointed an Independent Non-executive Director of the Company in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

# FINANCIAL REVIEW

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2011, the total assets of the Group were about HK\$9,096.2 million, of which bank balances and time deposits were about HK\$663.5 million and treasury investments were about HK\$733.9 million. The bank interest generated for the first six months of 2011 was HK\$6.1 million. The net gain arising from the Group's investment segment for the period ended 30 June 2011 was HK\$24.8 million.

At the end of the period under review, the total liabilities of the Group were HK\$3,136.3 million, comprising total bank loans of HK\$1,750.6 million with maturity dates varied from 2011 to 2014. The increase in bank loans during the period is mainly due to the inclusion of bank loans of CWT (as defined below) resulting from the completion of acquisition in February 2011 (as detailed below). For the bank loan with maturity date in the second half year of 2011, management is currently negotiating with the banks to renew/refinance the loan and is confident that the renewed/refinancing bank facilities will be signed before the expiry of the current facility. During the period, the Group also obtained several interest-bearing term loans from its major shareholders. As at 30 June 2011, the total outstanding balance of these shareholder loans was HK\$500.0 million with maturity dates in early 2014. The Group's bank and shareholder loans were mainly used for financing the acquisition of overseas operations as well as providing general working capital for some of the overseas operations. Total finance cost incurred by the Group for the six months ended 30 June 2011 was HK\$45.4 million.

As at 30 June 2011, the Group's gearing ratio was approximately 28.7%, 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 loans, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

The net asset value of the Group was HK\$0.62 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.

## FINANCIAL REVIEW (CONT'D)

### CHARGE ON ASSETS

As at 30 June 2011, certain assets of the Group's subsidiary companies with carrying value of HK\$1,687.4 million were pledged as part of the security for bank loans totalling HK\$806.8 million granted to the subsidiary companies.

### MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In February 2011, the Group completed the acquisition of approximately 72.26% interests in Challenger Wine Trust ("CWT") by way of a scheme at a cash consideration of approximately AUD33.08 million (approximately HK\$260 million) (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. Details of the Acquisition are incorporated in a circular issued in 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 CAD7.0 million (approximately HK\$56.1 million). 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 75.25% to 100%.

Other than the aforementioned, 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\$73.4 million for the period ended 30 June 2011.

### CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2011, the total capital commitments by the Group amounted to HK\$12.3 million which were mainly made up of contracted commitments in respect of the acquisition of computers, plant and equipments.

## FINANCIAL REVIEW (CONT'D)

### INFORMATION ON EMPLOYEES

The total number of full-time employee of the Group was 1,149 as at 30 June 2011, and is 24 less than the total headcount of 1,173 in the same period of 2010. The total staff costs, including director's emoluments, amounted to approximately HK\$351.0 million for the six months ended 30 June 2011, which represents an increase of 19% as compared to the same period of 2010. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2010.

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011.

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (Restated)
Turnover	4	<b>1,720,191</b>	1,326,315
Cost of sales		<b>(1,168,789)</b>	(917,124)
		<b>551,402</b>	409,191
Other income, gains and losses		<b>56,440</b>	13,654
Staff costs	5	<b>(183,180)</b>	(167,705)
Depreciation		<b>(8,717)</b>	(11,972)
Amortisation of intangible assets		<b>(22,486)</b>	(22,299)
Other expenses		<b>(235,045)</b>	(150,487)
Finance costs		<b>(45,424)</b>	(8,483)
Share of results of associates		<b>11</b>	–
Profit before taxation		<b>113,001</b>	61,899
Taxation	6	<b>(52,002)</b>	(14,562)
Profit for the period	7	<b>60,999</b>	47,337
Attributable to:			
Shareholders of the Company		<b>82,332</b>	48,635
Non-controlling interests of subsidiaries		<b>(21,333)</b>	(1,298)
		<b>60,999</b>	47,337
Earnings per share	8		
– Basic		<b>0.86 cent</b>	0.51 cent
– Diluted		<b>0.86 cent</b>	0.51 cent

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Profit for the period	60,999	47,337
Other comprehensive income		
Exchange difference arising from translation of foreign operations	145,872	(91,075)
(Loss)/gain on fair value changes of available-for-sale investments	(6,338)	405,000
Income tax relating to components of other comprehensive income	–	(66,925)
Other comprehensive income for the period	139,534	247,000
Total comprehensive income for the period	200,533	294,337
Total comprehensive income attributable to:		
Shareholders of the Company	209,902	294,636
Non-controlling interests of subsidiaries	(9,369)	(299)
	200,533	294,337

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 (unaudited) HK\$'000	As at 31 December 2010 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties	10	852,321	–
Vines	10	503,659	–
Property, plant and equipment	11	543,348	523,312
Intangible assets	12	4,240,713	4,019,236
Interests in associates		18,925	18,489
Available-for-sale investments		501,569	310,041
Investments at fair value through profit or loss		85,492	206,014
Deferred taxation		26,942	23,196
Long-term receivables		–	19,984
Time deposits		24,240	93,480
		<b>6,797,209</b>	5,213,752
<b>Current assets</b>			
Investments at fair value through profit or loss		142,539	163,000
Derivative financial instruments		4,278	–
Tax recoverable		6,398	–
Inventories		572,020	508,603
Receivables and prepayments	13	934,459	872,654
Time deposits		72,720	55,309
Bank balances and deposits		566,564	575,209
		<b>2,298,978</b>	2,174,775
<b>Current liabilities</b>			
Payables and accruals	13	(687,550)	(543,123)
Derivative financial instruments		(31,375)	(24,692)
Bank loans	14	(943,800)	(1,067,956)
Finance lease obligations		(247)	(1,003)
Taxation		(102,595)	(65,293)
		<b>(1,765,567)</b>	(1,702,067)
<b>Net current assets</b>		<b>533,411</b>	472,708
<b>Total assets less current liabilities</b>		<b>7,330,620</b>	5,686,460



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

	<i>Notes</i>	As at 30 June 2011 (unaudited) HK\$'000	As at 31 December 2010 (audited) HK\$'000
<b>Non-current liabilities</b>			
Bank loans	14	(806,803)	–
Finance lease obligations		(1,667)	(399)
Other borrowings	15	(537,811)	(36,531)
Deferred taxation		(24,407)	(27,077)
		<b>(1,370,688)</b>	(64,007)
<b>Total net assets</b>		<b>5,959,932</b>	5,622,453
<b>Capital and reserves</b>			
Share capital	16	961,107	961,107
Share premium and reserves		4,715,435	4,550,419
<b>Equity attributable to shareholders of the Company</b>			
		<b>5,676,542</b>	5,511,526
Non-controlling interests of subsidiaries		283,390	110,927
<b>Total equity</b>		<b>5,959,932</b>	5,622,453

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							Attributable to non-controlling interests of subsidiaries				
	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 reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Retained earnings/accumulated losses (unaudited) HK\$'000	Subtotal (unaudited) HK\$'000	Share option reserve of a subsidiary (unaudited) HK\$'000	Non-controlling interests of subsidiaries (unaudited) HK\$'000	Subtotal (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>2010</b>												
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 period	-	-	-	-	-	-	48,635	48,635	-	(1,298)	(1,298)	47,337
Exchange difference arising from translation	-	-	-	(92,145)	-	-	-	(92,145)	-	1,070	1,070	(91,075)
Gain on fair value changes of available-for-sale investments	-	-	405,071	-	-	-	-	405,071	-	(71)	(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)	(299)	294,337
Rights issue of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	5,972	5,972	5,972
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(91,507)	-	(91,507)	-	(9,113)	(9,113)	(100,620)
Employees' share option benefits for a subsidiary	-	-	-	-	-	-	-	-	435	55	490	490
Employees' share option of the Company lapsed	-	-	-	-	(135)	-	135	-	-	-	-	-
At 30 June 2010	961,107	4,147,543	338,146	(107,071)	4,563	(65,726)	(170,075)	5,108,487	490	167,770	168,260	5,276,747
<b>2011</b>												
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 period	-	-	-	-	-	-	82,332	82,332	-	(21,333)	(21,333)	60,999
Exchange difference arising from translation	-	-	-	133,929	-	-	-	133,929	91	11,852	11,943	145,872
(Loss)/gain on fair value changes of available-for-sale investments	-	-	(6,359)	-	-	-	-	(6,359)	-	21	21	(6,338)
Total comprehensive income for the period	-	-	(6,359)	133,929	-	-	82,332	209,902	91	(9,460)	(9,369)	200,533
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	-	-	-	-	-	-	-	-	185	24	209	209
Employees' share option of a subsidiary exercised	-	-	-	-	-	-	-	-	(252)	566	314	314
Employees' share option of a subsidiary lapsed	-	-	-	-	-	-	939	939	(822)	(117)	(939)	-
Employees' share option of the Company lapsed	-	-	-	-	(120)	-	120	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	(16,303)	(16,303)	(16,303)
At 30 June 2011	961,107	4,099,488	207,996	375,543	4,425	(45,267)	73,250	5,676,542	-	283,390	283,390	5,959,932

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (Restated)
Net cash from operating activities	30,795	66,671
Net cash outflow from investing activities	(85,637)	(150,167)
Net cash inflow/(outflow) from financing activities	46,197	(106,396)
Decrease in cash and cash equivalents	(8,645)	(189,892)
Cash and cash equivalents at beginning of the period	575,209	636,510
Cash and cash equivalents at end of the period	566,564	446,618

# 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 2010 (the “2010 Financial Statements”), except as described below:

### (a) *Accounting policies applied for the new items resulting from the acquisition of vineyard business*

#### **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 period 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.

#### **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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) *Accounting policies applied for the new items resulting from the acquisition of vineyard business (cont'd)*

##### **Intangible assets – water rights**

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

Water rights are recognised at cost 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.

##### **Leases – 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.

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.

#### (b) *Application of new and revised Hong Kong Financial Reporting Standards*

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in note 2 of the 2010 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 3. COMPARATIVE FIGURES

As detailed in note 2 of the 2010 Financial Statements, the Group has adopted amendments to HKAS 17 "Leases" (the "HKAS 17 Amendment") and HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements" (the "Revised HKAS 27") in preparing the 2010 Financial Statements.

In accordance with the HKAS 17 Amendment, the Group's leasehold land that qualifies for finance lease classification should be included in property, plant and equipment. Accordingly, certain comparative figures of these interim financial statements have been restated to conform with the adoption of the HKAS 17 Amendment and the effects are summarised as follows:

	For the six months ended 30 June 2010 HK\$'000
Increase in depreciation	157
Decrease in other expenses	(157)
<hr/>	
Impact on profit for the period	–

In accordance with the Revised HKAS 27, the cash consideration of HK\$100,620,000 paid for the Group's acquisition of additional interests in one of its non-wholly owned subsidiaries in 2010 should be included in cash flows used in financing activities, instead of in investing activities. Accordingly, certain comparative figures of the condensed consolidated statements of cash flows have been restated to reflect this change.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 4. TURNOVER AND SEGMENT INFORMATION

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:

#### A. Segment turnover

An analysis of the segment turnover is as follows:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Agriculture-related	591,203	395,703
Health	1,123,731	926,829
Investment	5,257	3,783
	<b>1,720,191</b>	1,326,315

#### B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	130,050	32,800
Health	115,138	99,218
Investment	24,772	(6,032)
	<b>269,960</b>	125,986
Business development expenditure	(8,660)	(8,992)
Research and development expenditure	(62,503)	(22,382)
Corporate expenses	(40,383)	(24,230)
Finance costs	(45,424)	(8,483)
Share of results of associates	11	–
	<b>113,001</b>	61,899
Profit before taxation	113,001	61,899
Taxation	(52,002)	(14,562)
	<b>60,999</b>	47,337

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 5. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the six months ended 30 June 2011 amounted to HK\$351.0 million (2010: HK\$293.8 million) of which HK\$167.8 million (2010: HK\$126.1 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	
	2011 HK\$'000	2010 HK\$'000
Current tax		
Hong Kong	3,117	4,705
Other jurisdictions	61,847	20,569
Deferred tax		
Hong Kong	–	–
Other jurisdictions	(12,962)	(10,712)
	<b>52,002</b>	14,562

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.

#### *Income tax recognised in other comprehensive income*

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Deferred tax		
Arising from gain on fair value changes of available-of-sale investments	–	66,925



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Profit for the period has been arrived at after crediting/(charging):		
Included in turnover:		
Rental income from investment properties	92,295	–
Included in other income, gains and losses:		
Interest income from bank deposits	6,149	4,472
Gain on disposal of available-for-sale investments	–	26,296
Gain on acquisition of a subsidiary	138,518	–
Loss on fair value change of investment properties and vines	(114,194)	–
Net gain/(loss) on investments at fair value through profit or loss, and derivative financial instruments	13,754	(28,118)

### 8. 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:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	82,332	48,635
<b>Number of shares</b>		
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 six months ended 30 June 2011 and 2010.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 9. DIVIDENDS

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2011 (2010: Nil).

### 10. INVESTMENT PROPERTIES AND VINES

	Investment properties <i>HK\$'000</i>	Vines <i>HK\$'000</i>
<b>Valuation</b>		
At 1 January 2011	–	–
Arising from acquisition of a subsidiary	<b>934,961</b>	<b>482,931</b>
Additions	<b>1,669</b>	–
Disposals	<b>(25,062)</b>	<b>(1,655)</b>
Net decrease in fair value recognised in profit or loss	<b>(108,568)</b>	<b>(5,626)</b>
Exchange differences	<b>49,321</b>	<b>28,009</b>
<b>At 30 June 2011</b>	<b>852,321</b>	<b>503,659</b>

The investment properties and vines situated abroad were revalued by the Directors of the Group by reference to the independent valuations from accredited industry valuers who are specialists in valuing these types of assets. The valuation of investment properties was determined by reference to market evidence of recent transaction prices for similar properties and replacement cost approach. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and building <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Laboratory instruments, plant and equipment <i>HK\$'000</i>	Furniture, fixtures and other assets <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost or valuation</b>						
At 1 January 2011	243,619	21,141	438,791	119,231	82,756	905,538
Additions	67	8,862	16,191	3,338	810	29,268
Arising from acquisition of a subsidiary	–	–	15,334	–	–	15,334
Reclassification	3,237	(19,006)	632	8,882	6,255	–
Disposals	–	–	(14,267)	(1,871)	–	(16,138)
Exchange differences	7,742	267	14,368	2,633	963	25,973
<b>At 30 June 2011</b>	<b>254,665</b>	<b>11,264</b>	<b>471,049</b>	<b>132,213</b>	<b>90,784</b>	<b>959,975</b>
<b>Depreciation and impairment</b>						
At 1 January 2011	12,956	–	239,386	96,365	33,519	382,226
Provided for the period	2,369	–	4,737	11,829	7,165	26,100
Elimination upon disposals	–	–	(1,640)	(1,184)	–	(2,824)
Impairment loss	–	–	1,983	–	–	1,983
Exchange differences	448	–	6,484	1,870	340	9,142
<b>At 30 June 2011</b>	<b>15,773</b>	<b>–</b>	<b>250,950</b>	<b>108,880</b>	<b>41,024</b>	<b>416,627</b>
<b>Carrying Values</b>						
<b>At 30 June 2011</b>	<b>238,892</b>	<b>11,264</b>	<b>220,099</b>	<b>23,333</b>	<b>49,760</b>	<b>543,348</b>
At 31 December 2010	230,663	21,141	199,405	22,866	49,237	523,312

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

## 12. INTANGIBLE ASSETS

	Development costs	Patents	Goodwill	Trademark	Customer relationship	Concession assets	Water rights	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>									
At 1 January 2011	481,843	199	3,127,268	99,882	389,907	123,432	-	4,028	4,226,559
Additions	10,959	-	-	-	-	-	-	-	10,959
Arising from acquisition of a subsidiary	-	-	-	-	-	-	154,523	-	154,523
Exchange differences	10,057	10	48,669	3,950	9,587	6,055	9,437	163	87,928
<b>At 30 June 2011</b>	<b>502,859</b>	<b>209</b>	<b>3,175,937</b>	<b>103,832</b>	<b>399,494</b>	<b>129,487</b>	<b>163,960</b>	<b>4,191</b>	<b>4,479,969</b>
<b>Amortisation and impairment</b>									
At 1 January 2011	612	162	-	-	159,730	45,182	-	1,637	207,323
Provided for the period	-	-	-	-	19,839	2,500	-	147	22,486
Impairment loss	-	-	-	-	-	-	3,354	-	3,354
Exchange differences	23	10	-	-	3,572	2,307	121	60	6,093
<b>At 30 June 2011</b>	<b>635</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>183,141</b>	<b>49,989</b>	<b>3,475</b>	<b>1,844</b>	<b>239,256</b>
<b>Carrying values</b>									
<b>At 30 June 2011</b>	<b>502,224</b>	<b>37</b>	<b>3,175,937</b>	<b>103,832</b>	<b>216,353</b>	<b>79,498</b>	<b>160,485</b>	<b>2,347</b>	<b>4,240,713</b>
At 31 December 2010	481,231	37	3,127,268	99,882	230,177	78,250	-	2,391	4,019,236

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 13. 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 2011 <i>HK\$'000</i>	As at 31 December 2010 <i>HK\$'000</i>
<b>Trade receivables</b>		
0 – 90 days	<b>596,023</b>	570,770
Over 90 days	<b>71,307</b>	65,103
	<b>667,330</b>	635,873
<b>Trade payables</b>		
0 – 90 days	<b>241,270</b>	251,698
Over 90 days	<b>5,305</b>	5,323
	<b>246,575</b>	257,021

### 14. BANK LOANS

Certain bank loans are secured by charges over the assets of certain subsidiary companies.

### 15. OTHER BORROWINGS

Included in the other borrowings are term loans of HK\$500 million obtained from certain substantial shareholders of the Company and their subsidiaries during the period, which are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate plus a margin of 1% per annum. The loans are due for repayment in January 2014. During the period, total interest expense of HK\$1.6 million was incurred for these shareholder loans.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 16. SHARE CAPITAL

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
<b>Authorised</b>		
At 31 December 2010 and 30 June 2011	<b>15,000,000</b>	<b>1,500,000</b>
<b>Issued and fully paid</b>		
At 31 December 2010 and 30 June 2011	<b>9,611,073</b>	<b>961,107</b>

### 17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six months ended 30 June 2011:

- (i) The Group made sales of HK\$12.0 million (2010: HK\$11.5 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 a non-wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK\$10.2 million (2010: HK\$10.4 million).
- (iii) The Group has engaged Challenger Management Services Limited ("CMSL") as a manager of its vineyard portfolio held under a non-wholly owned trust named Challenger Wine Trust ("CWT"). CMSL is a fellow subsidiary of the non-controlling shareholder of CWT. According to the management deed, CMSL is entitled to charge CWT management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of CWT. During the period, management fee of HK\$5.6 million (2010: Nil) was incurred.

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

As at 30 June 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 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

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

### (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 (the "Share Option 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 30 June 2011 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2011	Option period	Subscription price per share HK\$
		Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2011			
Yu Ying Choi,	30/9/2002	348,440	-	-	-	348,440	30/9/2003 - 29/9/2012	1.422	
Alan Abel	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 six months ended 30 June 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 30 June 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.



## DETAILS OF OPTIONS GRANTED BY THE COMPANY

The Company has adopted the Share Option 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 Share Option Scheme.

As at 30 June 2011, options to subscribe for an aggregate of 8,830,593 shares of the Company granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options					Outstanding as at 30 June 2011	Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
30/9/2002	1,551,682	-	-	(38,216)	-	1,513,466	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	3,628,159	-	-	(96,664)	-	3,531,495	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	3,889,040	-	-	(103,408)	-	3,785,632	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.

## DETAILS OF OPTIONS GRANTED BY THE COMPANY (CONT'D)

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 30 June 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%

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (CONT'D)

### (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 30 June 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.

# CORPORATE GOVERNANCE

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 six months ended 30 June 2011.

## (1) BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. 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 as required by the Listing Rules. 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 positions of the Chairman of the Board and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman of the Board meets with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary and the Compliance Officer are also directly responsible for the Group’s compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

### (2) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008, which will be amended from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2011.

### (3) INTERNAL CONTROLS

The Company has an internal audit function in place to provide an independent assessment of the Group's internal control system and review of its effectiveness in accordance with the Code on CG Practices. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, functional and information technology areas within the audited business units and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of these internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control system of the Group for the six months ended 30 June 2011.

### (4) AUDIT COMMITTEE

The Company established the Audit Committee on 26 June 2002 and has formulated its written terms of reference ("Terms of Reference") in accordance with the provisions set out in the Code on CG Practices. The Terms of Reference have been modified in accordance with the amended Code on CG Practices and adopted by the Board effective from 1 January 2009. 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 report for the six months ended 30 June 2011 has been reviewed by the Audit Committee.

### (5) 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.

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.

### (6) INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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.

## OTHER INFORMATION

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The risk factors set out in the Company's Annual Report 2010 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. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown in the Company's Annual Report 2010 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 interim 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.



# CORPORATE INFORMATION AND KEY DATE

## BOARD OF DIRECTORS

### Executive Directors

LI Tzar Kuoi, Victor

*Chairman*

KAM Hing Lam

*President and Chief Executive Officer*

IP Tak Chuen, Edmond

*Senior Vice President and*

*Chief Investment Officer*

YU Ying Choi, Alan Abel

*Vice President and Chief Operating Officer*

CHU Kee Hung

*Vice President and Chief Scientific Officer*

### Non-executive Directors

Peter Peace TULLOCH

*Non-executive Director*

WONG Yue-chim, Richard

*Independent Non-executive Director*

KWOK Eva Lee

*Independent Non-executive Director*

Colin Stevens RUSSEL

*Independent Non-executive Director*

## AUDIT COMMITTEE

WONG Yue-chim, Richard

*Chairman*

KWOK Eva Lee

Colin Stevens RUSSEL

## REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor

*Chairman*

KWOK Eva Lee

Colin Stevens RUSSEL

## COMPANY SECRETARY

Eirene YEUNG

## AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond

Eirene YEUNG

## COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

## VICE PRESIDENT, FINANCE

MO Yiu Leung, Jerry

## CORPORATE INFORMATION AND KEY DATE (CONT'D)

### 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](http://www.ck-lifesciences.com)

### KEY DATE

Interim Results Announcement      25 July 2011