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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

THE CHAIRMAN'S STATEMENT FOR 2010

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

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

Steady Operational Performance in 2010

Good Growth in Agriculture-Related Business

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

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

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

Nutraceutical Business Achieved Steady Performance

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

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

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

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

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

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

Significant Acquisition to Drive Growth

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

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

Continued R&D Developments

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

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

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

Strong Balance Sheet

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

Prospects

CK Life Sciences is optimistic about future prospects.

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

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

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 28 February 2011

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

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

The external financing by bank loans was mainly for the purpose of acquiring the Group's overseas businesses. As at 31 December 2010, the total bank loans amounted to HK$1,067,956,000. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, certain overseas subsidiaries had also pledged to banks all their assets which had a carrying value of HK$194,673,000 as at 31 December 2010 for loans of HK$124,156,000. The total finance costs of the Group for the year were HK$17,421,000.

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

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

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

Material Acquisitions/Disposals and Significant Investments

Except for the Group's acquisition of additional interests in certain non-wholly owned subsidiaries, there was no material acquisition / disposal during the year under review.

Subsequent to the reporting period, in February 2011, the Group completed the acquisition of approximately 72.26% interests in Challenger Wine Trust, a listed trust investing in a portfolio of high quality and strategically located vineyards and wineries in Australia and New Zealand. The transaction constitutes a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in note 14 to this consolidated financial statement and the circular of the Company dated 31 December 2010.

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

Capital Commitments and Future Plans for Material Investments or Capital Assets

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

Information on Employees

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

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010 (2009: Nil).

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Turnover	3	**2,694,204**	2,678,889
Cost of sales		**(1,872,152)**	(1,839,133)
		822,052	839,756
Other income, gains and losses	4	**263,226**	292,345
Staff costs	5	**(337,265)**	(310,077)
Depreciation		**(21,876)**	(35,037)
Amortisation of intangible assets		**(44,861)**	(47,808)
Other expenses	6	**(439,597)**	(494,466)
Finance costs	7	**(17,421)**	(18,110)
Share of results of associates		**8**	(11,272)
Profit before taxation		**224,266**	215,331
Taxation	8	**(25,597)**	(29,271)
Profit for the year		**198,669**	186,060
Attributable to:			
Shareholders of the Company		**208,551**	187,098
Non-controlling interests		**(9,882)**	(1,038)
		198,669	186,060
Earnings per share	9		
- Basic		**2.17 cents**	1.95 cents
- Diluted		**2.17 cents**	1.95 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**523,312**	470,684	444,877
Intangible assets		**4,019,236**	3,972,183	3,722,997
Interests in associates		**18,489**	17,842	44,472
Convertible debentures issued by an associate		**-**	-	58,885
Available-for-sale investments		**310,041**	150,101	209,343
Investments at fair value through profit or loss		**206,014**	192,839	58,430
Deferred taxation		**23,196**	21,056	19,076
Long-term receivables		**19,984**	38,580	-
Time deposits		**93,480**	-	-
		5,213,752	4,863,285	4,558,080
Current assets				
Debt investment		**-**	-	59,474
Investments at fair value through profit or loss		**163,000**	163,171	139,351
Derivative financial instruments		**-**	2,633	15,780
Tax recoverable		**-**	762	3,629
Inventories		**508,603**	425,921	463,711
Receivables and prepayments	11	**872,654**	805,906	615,195
Deposits with financial institutions		**-**	-	44,952
Time deposits		**55,309**	-	-
Bank balances and deposits		**575,209**	636,895	303,554
		2,174,775	2,035,288	1,645,646
Current liabilities				
Payables and accruals	12	**(543,123)**	(621,545)	(588,995)
Derivative financial instruments		**(24,692)**	(23,087)	(99,398)
Bank overdrafts		**-**	(385)	(7,445)
Bank loans		**(1,067,956)**	-	-
Finance lease obligations		**(1,003)**	(580)	(494)
Taxation		**(65,293)**	(48,695)	(19,945)
		(1,702,067)	(694,292)	(716,277)
Net current assets		**472,708**	1,340,996	929,369
Total assets less current liabilities		**5,686,460**	6,204,281	5,487,449
Non-current liabilities				
Bank loans		**-**	(1,061,300)	(1,045,675)
Finance lease obligations		**(399)**	(807)	(1,108)
Loans from non-controlling shareholders		**(36,531)**	(34,333)	(25,907)
Deferred taxation		**(27,077)**	(31,273)	(29,887)
		(64,007)	(1,127,713)	(1,102,577)
Total net assets		**5,622,453**	5,076,568	4,384,872
Capital and reserves				
Share capital		**961,107**	961,107	961,107
Share premium and reserves		**4,550,419**	3,944,251	3,309,661
Equity attributable to shareholders of the Company		**5,511,526**	4,905,358	4,270,768
Non-controlling interests		**110,927**	171,210	114,104
Total equity		**5,622,453**	5,076,568	4,384,872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 17 Leases

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

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

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

Summary of the effects of the above changes in accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Turnover

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

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

4. Other income, gains and losses

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

5. Staff Costs

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

6. Other Expenses

Included in other expenses are intangible assets written off of HK$134,944,000 (2009: HK$150,102,000). In the current year, the management decided to discontinue certain development projects. Accordingly, related development and patents costs previously capitalised with carrying values totaling HK$134,944,000 (2009: HK$150,102,000) were written off.

7. Finance Costs

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

8. Taxation

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

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

9. Earnings Per Share

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

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

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

10. Dividends

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

11. Receivables and Prepayments

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

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

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

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

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

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

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

12. Payables and Accruals

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

The ageing analysis of trade payables is as follows:

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

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

13. Segment Information

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

(a) Reportable segment information

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

(b) Geographical information

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

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

Notes :

i. Turnover excluding investment income generated from financial instruments.

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

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

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

14. Events after the reporting period

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

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

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

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 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 Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which may from time to time be modified, in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company.

The Group's annual results for the year ended 31 December 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, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 19 May 2011 at 10:00 a.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 12 May 2011 to Thursday, 19 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the 2011 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 May 2011.

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).