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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 775)

THE CHAIRMAN'S STATEMENT FOR 2008

2008 has been an unprecedented year in recent financial history. We have witnessed a global economic crisis of such a magnitude that many businesses, regardless of market or industry, have been affected. CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") is no exception. Our 2008 performance has been substantially affected by external economic factors. Despite a satisfactory operational performance, profitability has been adversely impacted by our treasury investments and by adverse fair value changes in financial instruments.

Financial Highlights

HK\$ Million	2008	2007	Variation
• Turnover	2,992	2,092	+43%
- Health	1,961	1,488	+32%
- Agriculture-related	1,017	511	+99%
- Investment	14	93	-85%
• EBIT* before treasury items	59	(63)	N/A
• Treasury items, including fair value changes on financial instruments	(316)	132	N/A
• Profit/(loss) attributable to shareholders	(352)	117	N/A

Turnover

Turnover increased by 43% over last year to reach HK\$2,992 million.

* Earnings Before Interest and Tax

Our business operations in the pharmaceutical, nutraceutical and agriculture-related sectors all performed well in 2008. In spite of the challenging macro-economic environment, progress was achieved in overall operational performance.

EBIT Before Treasury Items*

EBIT* before treasury items increased to HK\$59 million as compared to a loss of HK\$63 million in 2007. This reflects the improvement in the Company's operational performance over the past year.

Treasury Items, Including Fair Value Changes on Financial Instruments

Due to the negative impact of the global financial crisis, treasury investments suffered a loss of HK\$316 million in 2008, of which a substantial portion were adverse fair value changes in financial instruments. It is worth noting though that the reduction in valuation of financial instruments represents an accounting entry and has no immediate cashflow impact.

At this juncture, it is appropriate to explain the role of treasury income for biotech companies such as CK Life Sciences. Over the last six years since listing in 2002, treasury income had represented an important revenue stream for the Company. Despite the treasury investment loss incurred in the year under review, a cumulative treasury income gain of over HK\$600 million was generated as at year end 2008. These treasury investment returns have been necessary to help fund business activities and R&D initiatives. As our business operations grew and started to contribute to the Company's profitability, our strategy has been to reduce the proportion and amount of treasury investments and channel resources into various global operations. The investment pool balance had therefore decreased from over HK\$2,200 million at the beginning of 2004 to around HK\$380 million at the end of 2008. Future exposure to treasury investments is therefore very much reduced.

Net Debt to Equity Ratio

The Company's net debt to equity ratio is at a conservative level of 16.54% as at 31 December 2008.

Profit/(Loss) Attributable to Shareholders

Impacted by substantial treasury losses incurred during the year, the Company recorded a loss attributable to shareholders of HK\$352 million. This compares with a profit of HK\$117 million in 2007.

* Earnings Before Interest and Tax

Dividends

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2008.

Operational Highlights

Health – Pharmaceuticals

CK Life Sciences has a strong pharmaceutical portfolio in the pipeline, with a number of products in various stages of development. We are very excited about the progress made by our pharmaceutical R&D initiatives during the course of the year. To reach the final stage, Phase III, of clinical trials is a significant milestone for a biotech company. The Company is very proud to have one product in advanced Phase III trials in Canada and another in the preparation stage to commence Phase III trials in the United States.

Our pain management product based on tetrodotoxin is at an advanced stage of development. This drug, which is developed as a remedy for alleviating cancer-related pain, has reached the pivotal milestone of Phase III clinical trials under Health Canada. Good progress has been made to date.

In the oncology area, we are developing a therapeutic vaccine for the treatment of melanoma in the United States. R&D for this product is also at an advanced stage. A pre-Investigational New Drug meeting was successfully held with the US FDA last year. We are aggressively working towards the commencement of Phase III clinical trials.

At the pre-clinical stage, two promising cancer projects have been identified for further development. Pre-clinical studies are ongoing in collaboration with Cedars-Sinai Medical Center – University of California at Los Angeles, as well as established contract research organisations.

Health - Nutraceuticals

In 2008, CK Life Sciences' nutraceutical businesses generated sales of nearly HK\$2 billion, an increase of 32% as compared to approximately HK\$1.5 billion last year. Our portfolio of revenue contributors comprises Santé Naturelle A.G. Ltée (“SNAG”) in Canada, Vitaquest International Holdings LLC (“Vitaquest”) in the United States and Lipa Pharmaceuticals Limited (“Lipa”) in Australia.

In spite of the softening of the consumer market, SNAG was able to maintain its market share and leadership position in Québec, Canada. With a portfolio of over 150 natural health products, SNAG continues to dedicate ongoing efforts in enhancing its product range for customers, targeting growing health segments for the maintenance, prevention or solution of specific health conditions.

Vitaquest's performance represented an improvement over last year. In addition to developing new products to increase customer choice, Vitaquest has also invested in innovative delivery technologies to further enhance its advantages in product development. Improvement works are underway at its facilities to streamline production processes, expedite throughput, increase storage capacity and reduce costs.

In 2008, Lipa delivered a strong first full year of profit contribution. During the year, it has been focused on expanding its new product development capabilities as a means of adding value to existing products and services, as well as to generate higher margins.

Agriculture-related Businesses

The Company's agriculture-related businesses doubled their sales in 2008, with revenue passing the HK\$1 billion mark.

Our Australian operations, which comprise Ecofertiliser Pty Ltd ("Ecofertiliser Group") and Accensi Pty Ltd ("Accensi"), performed particularly well during the year. The Ecofertiliser Group draws together a number of companies in Australia which make up CK Life Sciences' eco-fertiliser business operations. As for Accensi, it is the largest independent toll manufacturer of crop protection products in Australia and was acquired early last year. Overall, the Company's agriculture-related businesses in Australia benefitted from increased rainfall and a break in drought, which has increased agricultural activity. Rising commodity prices in the first half of 2008 also encouraged farmers to place orders in anticipation of even higher prices.

Our operations in Mainland China, which are made up of the domestic and export businesses, also performed well during the year. CK Life Sciences' environmentally-friendly fertiliser products include the NutriSmart and NutriWiz ranges. These products have been demonstrated to enhance yield and quality of produce, such as rice, wheat, vegetables, oil palm, sugar cane and fruit, as well as turf. The markets in which the eco-fertiliser products are now being marketed and sold include Hong Kong, Mainland China, Australia, the US, Malaysia and Japan.

Prospects

In 2008, the Company's results have been adversely affected by the global economic crisis. However, we believe that we can step up to face the challenges ahead and successfully emerge from the worldwide downturn.

With a portfolio of health and agriculture-related businesses in different parts of the world, CK Life Sciences has continued to strengthen operating profit and sustain its pace of expansion. We will also assess new acquisition opportunities that can add value to our existing portfolio. At the same time, we are aggressively accelerating the pace of development and commercialisation of our pharmaceutical products. The Company will continue with the strategy of reducing the proportion of treasury activities and hence lower the exposure to treasury investments.

I would like to take this opportunity to thank our shareholders, Board of Directors and staff for their support of the Company during this difficult and challenging time.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 16 March 2009

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2008, 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 sources 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 2008, the total bank loans and overdrafts amounted to HK\$1,053,120,000. Most of these loans are principally on a floating interest rate basis and were granted by the banks based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, the overseas subsidiaries had also pledged to banks all their assets which had a carrying value of HK\$160,116,000 as at 31 December 2008 for loans and overdrafts of HK\$109,320,000. The total finance costs of the Group for the year were HK\$66,982,000.

At the end of 2008, the total assets of the Group were about HK\$6,203,726,000, of which bank balances and deposits were about HK\$348,506,000 and marketable securities were about HK\$482,378,000. The bank interest generated for the year was HK\$14,973,000. Resulting from the global economic crisis in 2008, the total loss arising from the Group's investment segment for the year was HK\$315,700,000.

The total net assets of the Group as at 31 December 2008 were HK\$4,384,872,000 representing a decrease of 17% as compared to the same reported last year. The net asset value of the Group was decreased from HK\$0.55 per share in 2007 to HK\$0.46 per share in 2008. The gearing ratio of the Group as at 31 December 2008 was approximately 16.54%, which is calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$348,506,000) over the equity attributable to equity holders of the Company.

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

Material Acquisitions/Disposals and Significant Investments

In January 2008, the Group completed the acquisition of 100% stake in Accensi Pty Ltd (“Accensi”) (the “Acquisition”). Accensi is a company incorporated in Australia. The principal activities of Accensi are manufacturing and marketing of plant protection products and soluble fertilisers. The Acquisition constitutes a discloseable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and details of which are incorporated in a circular issued on 12 November 2007.

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$61,152,000 in 2008.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2008, the total capital commitments by the Group amounted to HK\$4,878,000 which were mainly made up of contracted commitments in respect of the acquisition of laboratory, instrument, plant and equipment.

Information on Employees

The total number of full-time employee of the Group was 1,315 at the end of 2008, and is 18 less than the total headcount of 1,333 at the end of 2007. The total staff costs, including director’s emoluments, amounted to approximately HK\$628.1 million for the year under review, which represents an increase of 29% as compared to the previous year. The increases in staff costs were mainly due to the inclusion of Lipa Pharmaceuticals Limited and Accensi as new members of the Group in November 2007 and January 2008, respectively.

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 2008 (2007: Nil).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	<u>2008</u>	<u>2007</u>
		HK\$'000	HK\$'000 (Restated)
Turnover	4	2,991,797	2,091,592
Cost of sales		<u>(2,084,217)</u>	<u>(1,355,539)</u>
		907,580	736,053
Other income, gains and losses	5	(275,863)	45,788
Staff costs	6	(344,459)	(298,148)
Depreciation		(31,876)	(28,934)
Amortisation of intangible assets		(50,412)	(37,138)
Other operating expenses		(442,233)	(349,699)
Revaluation deficit on building		(11,420)	-
Gain on disposal of associates		-	2,712
Gain on disposal of a subsidiary		-	2,100
Finance costs	7	(66,982)	(34,232)
Share of results of associates		(9,878)	(5,510)
(Loss) / profit before taxation		(325,543)	32,992
Taxation	8	(27,540)	82,319
(Loss) / profit for the year		<u>(353,083)</u>	<u>115,311</u>
Attributable to:			
Equity holders of the Company		(351,768)	117,001
Minority interests		(1,315)	(1,690)
		<u>(353,083)</u>	<u>115,311</u>
(Loss) / earnings per share	9		
- Basic		<u>(3.66 cents)</u>	<u>1.22 cents</u>
- Diluted		<u>(3.66 cents)</u>	<u>1.22 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		432,803	504,467
Prepaid lease for land		12,074	12,388
Intangible assets		3,722,997	3,884,548
Interests in associates		44,472	59,164
Convertible debentures issued by an associate		58,885	24,895
Available-for-sale investments		209,343	150,101
Investments at fair value through profit or loss		58,430	323,230
Deferred taxation		19,076	50,272
		<u>4,558,080</u>	<u>5,009,065</u>
Current assets			
Debt investment		59,474	-
Investments at fair value through profit or loss		139,351	55,104
Derivative financial instruments		15,780	18,428
Tax recoverable		3,629	-
Inventories		463,711	382,841
Receivables and prepayments	11	615,195	667,525
Deposits with financial institutions		44,952	40,131
Bank balances and deposits		303,554	766,891
		<u>1,645,646</u>	<u>1,930,920</u>
Current liabilities			
Payables and accruals	12	(588,995)	(672,262)
Derivative financial instruments		(99,398)	(55,889)
Bank overdrafts		(7,445)	(13,391)
Bank loans		-	(125,901)
Finance lease obligations		(494)	(752)
Taxation		(19,945)	(15,949)
		<u>(716,277)</u>	<u>(884,144)</u>
Net current assets		<u>929,369</u>	<u>1,046,776</u>
Total assets less current liabilities		<u>5,487,449</u>	<u>6,055,841</u>
Non-current liabilities			
Bank loans		(1,045,675)	(710,546)
Finance lease obligations		(1,108)	(937)
Loan from a minority shareholder		(25,907)	(27,574)
Deferred taxation		(29,887)	(50,052)
		<u>(1,102,577)</u>	<u>(789,109)</u>
Total net assets		<u>4,384,872</u>	<u>5,266,732</u>
Capital and reserves			
Share capital		961,107	961,107
Share premium and reserves		3,309,661	4,190,206
Equity attributable to equity holders of the Company		<u>4,270,768</u>	<u>5,151,313</u>
Minority interests		114,104	115,419
Total equity		<u>4,384,872</u>	<u>5,266,732</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital	Share premium	Investment revaluation reserve	Translation reserve	Employee share-based compensation reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	961,107	4,147,543	(22,945)	27,226	8,712	(175,190)	4,946,453	15,571	4,962,024
Gain on fair value changes of available-for-sale investments	-	-	7,556	-	-	-	7,556	-	7,556
Exchange difference arising from translation	-	-	-	71,249	-	-	71,249	-	71,249
Income recognised directly in equity	-	-	7,556	71,249	-	-	78,805	-	78,805
Profit for the year	-	-	-	-	-	117,001	117,001	(1,690)	115,311
Release on disposal of a subsidiary	-	-	-	(912)	-	-	(912)	(7,662)	(8,574)
Release on disposal of associates	-	-	-	(3,628)	-	-	(3,628)	-	(3,628)
Release on disposal of available-for-sale investments	-	-	13,594	-	-	-	13,594	-	13,594
Total recognised income and expenses for the year	-	-	21,150	66,709	-	117,001	204,860	(9,352)	195,508
Capital contribution from minority shareholders of a subsidiary	-	-	-	-	-	-	-	109,200	109,200
Employee's share option lapse during the year	-	-	-	-	(1,421)	1,421	-	-	-
At 1 January 2008	961,107	4,147,543	(1,795)	93,935	7,291	(56,768)	5,151,313	115,419	5,266,732
Loss on fair value changes of available-for-sale investments	-	-	(27,104)	-	-	-	(27,104)	-	(27,104)
Exchange difference arising from translation	-	-	-	(530,572)	-	-	(530,572)	-	(530,572)
Expenses recognised directly in equity	-	-	(27,104)	(530,572)	-	-	(557,676)	-	(557,676)
Loss for the year	-	-	-	-	-	(351,768)	(351,768)	(1,315)	(353,083)
Impairment of available-for-sale investments	-	-	27,104	-	-	-	27,104	-	27,104
Release on disposal of investments	-	-	1,795	-	-	-	1,795	-	1,795
Total recognised income and expenses for the year	-	-	1,795	(530,572)	-	(351,768)	(880,545)	(1,315)	(881,860)
Employee's share option lapse during the year	-	-	-	-	(1,165)	1,165	-	-	-
At 31 December 2008	961,107	4,147,543	-	(436,637)	6,126	(407,371)	4,270,768	114,104	4,384,872

NOTES TO THE FINANCIAL STATEMENTS

1. Organisation and Operations

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. In September 2008, the Company transferred the listing of its shares from the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to the Main Board of the Stock Exchange.

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

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

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

In the current year, the Group has adopted, for the first time, a number of amendments and interpretations (“New Standards”) of Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the current accounting period. Except for the adoption of HK(IFRIC) Interpretation 12 “Service Concession Arrangements” as detailed below, the adoption of the New Standards had no material impact on how the financial statements of the Group for the current or prior financial years have been prepared and presented.

Adoption of HK(IFRIC) Interpretation 12 “Service Concession Arrangements” (the “Interpretation 12”)

The Interpretation 12 provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

The Group as water treatment operator has access to operate the water treatment plant to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract.

In prior years, the Group's water treatment plant, including construction costs incurred on water treatment plant work and related fixed assets, was recorded as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Depreciation of the water treatment plant was calculated to write off its cost on a straight-line basis over its expected useful life.

In accordance with the Interpretation 12, water treatment plant within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the plant, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 "Construction Contracts" for the construction and upgrade services of the plant and to account the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service or a financial asset in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement". In addition, the operator accounts for the services in relation to the operation of the plant in accordance with HKAS 18 "Revenue".

For the accounting period beginning on 1 January 2008, the Group applied the Interpretation 12 retrospectively and the financial impact on application of this interpretation is summarised in note 3.

The Group has not early applied the following new/revised standards and interpretations that have been issued but are not yet effective for the financial period beginning 1 January 2008. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new/revised standards and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendments)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-Cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfers on or after 1 July 2009

3. Restatements

In the current year, the Group has made the following restatements:

- a) As detailed in note 2, the Group adopted Interpretation 12 retrospectively for the accounting period beginning on 1 January 2008.
- b) During the year ended 31 December 2007, the Group acquired a subsidiary, Lipa Pharmaceuticals Limited (“Lipa”), of which the fair values of the identifiable assets, liabilities and contingent liabilities acquired were determined provisionally. During the year, the Group made certain fair value adjustments to the carrying amounts of its identifiable assets and liabilities as a result of completing the initial accounting. The adjustments to the fair values were made as if initial accounting had been incorporated from acquisition date. The fair value adjustment is related to the deferred tax liabilities on the intangible assets - customer relationship upon the finalisation of the assets value in the current year. Accordingly, the goodwill calculation was revised.

The cumulative effects of the above restatements on the related balance sheet items as at 31 December 2007 and 1 January 2008 are summarised below:

	As at 31 December 2007 (originally stated)	Application of Interpretation 12	Subsequent goodwill adjustment	As at 31 December 2007 (restated) and 1 January 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	581,853	(77,386)	-	504,467
Intangible assets	3,770,114	77,386	37,048	3,884,548
Deferred tax assets	87,320	-	(37,048)	50,272
Total effects on assets	<u>4,439,287</u>	<u>-</u>	<u>-</u>	<u>4,439,287</u>

There are no cumulative effects on the Group's total equity as at 1 January 2007, 31 December 2007 and 1 January 2008.

There are no impact on the results for the current and prior years resulting from the subsequent goodwill adjustment and the effects of the application of the Interpretation 12 on the results of the group are as follows:

	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000
Decrease in depreciation	4,010	4,133
Increase in amortisation of intangible assets	(4,010)	(4,133)
Increase in (loss) / profit for the year	<u>-</u>	<u>-</u>

There are no effect on the losses / earnings per share and the diluted earnings / losses per share.

4. Turnover

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

	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000
Environment	1,016,872	510,948
Health	1,961,166	1,487,959
Investment	13,759	92,685
	<u>2,991,797</u>	<u>2,091,592</u>

5. Other income, gains and losses

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	14,973	17,165
Interest income from convertible debentures issued by an associate	6,732	763
Loss on disposal of available-for-sale investments	-	(2,408)
Impairment on available-for-sale investments	(27,104)	-
Net (loss) / gain on investment at fair value through profit or loss		
- Investments held for trading	17,183	39,123
- Others	(256,850)	(19,365)
Net (loss) / gain on derivative financial instruments	<u>(43,499)</u>	<u>2,986</u>

6. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$628.1 million (2007: HK\$488.1 million) of which HK\$13.8 million (2007: HK\$16.1 million) relating to development activities was capitalised and HK\$269.8 million (2007: HK\$173.9 million) relating to direct labor costs was included in cost of sales.

Staff costs also include operating lease rentals of HK\$0.8 million (2007: HK\$1.0 million) in respect of accommodation provided to staff.

7. Finance Costs

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	62,753	29,943
Bank overdrafts	1,220	1,430
Loan from a minority shareholder	2,838	2,531
Finance leases	171	328
	<u>66,982</u>	<u>34,232</u>

8. Taxation

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
The tax expenses / (credit) for the year represents:		
Current tax		
Hong Kong	7,467	7,504
Other jurisdictions	2,959	1,930
Under / (over) provision in prior year		
Other jurisdictions	4,429	(10,988)
Deferred tax		
Hong Kong	(62)	808
Other jurisdictions	12,747	(81,573)
	<u>27,540</u>	<u>(82,319)</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. (Loss) / Earnings Per Share

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

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
(Loss) / profit for the year		
(Loss) / profit for calculating basic and diluted earnings per share	<u>(351,768)</u>	<u>117,001</u>
Number of shares		
Weighted average number of ordinary shares in issue used in the calculation of basic and diluted (loss) / earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

The computation of diluted (loss) / earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2008 and 2007.

10. Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

11. Receivables and Prepayments

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Trade receivables	510,547	527,349
Less: provision for impairment	<u>(34,655)</u>	<u>(24,709)</u>
	475,892	502,640
Other receivables	<u>92,744</u>	<u>113,208</u>
Loans and receivables	568,636	615,848
Deposit and prepayments	<u>46,559</u>	<u>51,677</u>
	<u>615,195</u>	<u>667,525</u>

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 that are not impaired are as follows:

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Current	<u>255,114</u>	<u>211,287</u>
Less than 90 days past due	164,336	259,911
Over 90 days past due	<u>56,442</u>	<u>31,442</u>
	<u>220,778</u>	<u>291,353</u>
	<u>475,892</u>	<u>502,640</u>

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

12. Payables and Accruals

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Trade payables	259,290	276,306
Other payables and accrued charges	<u>329,705</u>	<u>395,956</u>
Financial liabilities measured at amortised cost	<u>588,995</u>	<u>672,262</u>

The ageing analysis of trade payables is as follows:

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Due within 90 days or on demand	222,692	256,363
Due after 90 days	<u>36,598</u>	<u>19,943</u>

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

13. Segment Information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

(a) Business segments

	Environment		Health		Investment		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	1,016,872	510,948	1,961,166	1,487,959	13,759	92,685	-	-	2,991,797	2,091,592
Segment results	99,925	20,743	90,658	23,669	(315,700)	131,766	-	-	(125,117)	176,178
Business development expenditure	-	-	-	-	-	-	(22,328)	(32,514)	(22,328)	(32,514)
Research and development expenditure	-	-	-	-	-	-	(32,191)	(27,053)	(32,191)	(27,053)
Corporate expenses	-	-	-	-	-	-	(57,627)	(48,689)	(57,627)	(48,689)
Revaluation deficit on building	-	-	-	-	-	-	(11,420)	-	(11,420)	-
Gain on disposal of associates	-	2,712	-	-	-	-	-	-	-	2,712
Gain on disposal of a subsidiary	-	2,100	-	-	-	-	-	-	-	2,100
Finance costs	-	-	-	-	-	-	(66,982)	(34,232)	(66,982)	(34,232)
Share of results of associates	(2,394)	(4,242)	(7,484)	(1,268)	-	-	-	-	(9,878)	(5,510)
(Loss) / profit before taxation									(325,543)	32,992
Taxation									(27,540)	82,319
(Loss) / profit for the year									(353,083)	115,311

	Environment		Health		Investment		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	742,394	589,320	4,417,873	4,777,530	468,140	546,354	-	-	5,628,407	5,913,204
Interests in associates	22,144	21,360	22,328	37,804	-	-	-	-	44,472	59,164
Convertible debentures issued by an associate	-	-	73,862	27,649	-	-	-	-	73,862	27,649
Bank balances and cash									303,554	766,891
Other assets									153,431	173,077
Total assets									6,203,726	6,939,985
Segment liabilities	(160,004)	(146,942)	(336,287)	(437,239)	(256,845)	(213,154)	-	-	(753,136)	(797,335)
Other liabilities									(1,065,718)	(875,918)
Total liabilities									(1,818,854)	(1,673,253)
Other information										
Amortisation of intangible assets	6,927	4,114	39,188	29,157	-	-	4,297	3,867	50,412	37,138
Depreciation	11,272	9,274	34,309	24,366	-	-	14,549	9,651	60,130	43,291
Impairment of available-for-sale investments	-	-	-	-	27,104	-	-	-	27,104	-
Capital additions	174,214	21,050	62,422	921,153	-	-	871	2,673	237,507	944,876
Allowances for bad debts	1,201	215	26,235	5,199	-	-	-	-	27,436	5,414
Inventories written off	732	43	767	4,667	-	-	-	-	1,499	4,710

(b) Geographical segments

Turnover is analysed by the Group's sales by geographical market while the carrying amount of segments assets and capital additions is analysed by the geographical area in which the segment assets are located.

	Turnover		Segment assets		Capital additions	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia	103,205	75,290	574,076	671,547	17,216	36,567
Australia	1,529,104	543,976	1,375,229	1,466,545	180,703	743,609
Europe	5,346	80,581	251,627	566,544	-	-
North America	1,354,142	1,391,745	3,427,475	3,208,568	39,588	164,700
	<u>2,991,797</u>	<u>2,091,592</u>	<u>5,628,407</u>	<u>5,913,204</u>	<u>237,507</u>	<u>944,876</u>

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

During the year ended 31 December 2008, 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 Company is 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 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), where appropriate, throughout the year ended 31 December 2008.

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 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 2008 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 2009 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 18 May 2009 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 Monday, 11 May 2009 to Monday, 18 May 2009, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2009 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 Friday, 8 May 2009.

As at the date of this announcement, 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).