



**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 2010



This interim report 2010 (in both English and Chinese versions) (“Interim Report”) has been posted on the Company’s website at <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 this Interim Report since both language versions are bound together into one booklet.

# CONTENTS

2	Chairman's Statement
5	Directors' Biographical Information
9	Financial Review
11	Condensed Consolidated Income Statement
12	Condensed Consolidated Statement of Comprehensive Income
13	Condensed Consolidated Statement of Financial Position
15	Condensed Consolidated Statement of Changes in Equity
16	Condensed Consolidated Statement of Cash Flows
17	Notes to the Condensed Consolidated Financial Statements
25	Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures
27	Details of Options Granted by the Company
29	Interests and Short Positions of Shareholders
31	Corporate Governance
34	Other Information
35	Corporate Information and Key Date

# CHAIRMAN'S STATEMENT

## 2010 FIRST HALF RESULTS

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

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

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

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

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

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

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

## STEADY PERFORMANCE FROM NUTRACEUTICAL BUSINESS

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

## GOOD GROWTH IN AGRICULTURE BUSINESS

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

## SUSTAINED R&D PROGRESS

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

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

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

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

## PROSPECTS

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

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

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

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

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

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 26 July 2010

### **LI Tzar Kuoi, Victor**

aged 45, 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 Hongkong Electric 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, and was a member of the Greater Pearl River Delta Business Council of the Hong Kong Special Administrative Region. 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, 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. Mr. Victor Li also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

### **KAM Hing Lam**

aged 63, 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 Hongkong Electric Holdings Limited. Mr. Kam had been a Non-executive Director of Spark Infrastructure Group until 28 May 2010. All the companies mentioned above are listed companies. 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. Mr. Kam also holds directorships in certain companies controlled by a substantial shareholder of the Company.

### **IP Tak Chuen, Edmond**

aged 58, 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, 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 and a Director of ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust which is listed in Singapore. 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. Mr. Ip also holds directorships in certain companies controlled by certain substantial shareholders of the Company.

### **YU Ying Choi, Alan Abel**

aged 55, 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 is also the Chairman of Wex Pharmaceuticals Inc., a listed company. 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 65, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. Dr. Chu is also a Director of Wex Pharmaceuticals Inc., a listed company. 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.



**TULLOCH, Peter Peace**

aged 66, 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. He also holds directorships in 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 58, currently serves 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, Industrial and Commercial Bank of China (Asia) Limited, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and the Hong Kong Mercantile Exchange Limited ("HKMEx"). Except for HKMEx, 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.

### **KWOK Eva Lee**

aged 68, currently serves as the Chair and Chief Executive Officer of Amara International Investment Corporation ("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 for 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 69, 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 RESOURCES AND LIQUIDITY

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

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

## TREASURY POLICIES

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

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

## CHARGE ON ASSETS

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

## MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

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

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

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

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

## INFORMATION ON EMPLOYEES

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

## CONTINGENT LIABILITIES

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONT'D)

	Notes	As at 30 June 2010 (unaudited) HK\$'000	As at 31 December 2009 (audited) HK\$'000
<b>Non-current liabilities</b>			
Bank loans	12	(943,800)	(1,061,300)
Finance lease obligations		(716)	(807)
Loan from a non-controlling shareholder		(29,746)	(34,333)
Deferred taxation		(91,474)	(31,273)
		<b>(1,065,736)</b>	<b>(1,127,713)</b>
<b>Total net assets</b>			
		<b>5,276,747</b>	<b>5,076,568</b>
<b>Capital and reserves</b>			
Share capital	13	961,107	961,107
Share premium and reserves		4,147,380	3,944,251
<b>Equity attributable to equity holders of the Company</b>			
		<b>5,108,487</b>	<b>4,905,358</b>
Share option reserve of a subsidiary		490	55
Non-controlling interests		167,770	171,155
<b>Total equity</b>			
		<b>5,276,747</b>	<b>5,076,568</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Equity attributable to equity holders of the Company

	Share capital	Share premium	Investment revaluation reserve	Translation reserve	Employee share-based compensation reserve	Capital reserve	Other reserve	Accumulated losses	Total	Share option reserve of a subsidiary	Non-controlling interests	Total equity
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
<b>2009</b>												
At 1 January 2009	961,107	4,147,543	-	(436,637)	6,126	-	-	(407,371)	4,270,768	-	114,104	4,384,872
Profit for the period	-	-	-	-	-	-	-	256,454	256,454	-	140	256,594
Exchange difference arising from translation	-	-	-	214,158	-	-	-	-	214,158	-	-	214,158
Gain on fair value changes of available-for-sale investments	-	-	157	-	-	-	-	-	157	-	-	157
Total comprehensive income for the period	-	-	157	214,158	-	-	-	256,454	470,769	-	140	470,909
Employee's share option lapsed during the period	-	-	-	-	(1,288)	-	-	1,288	-	-	-	-
At 30 June 2009	961,107	4,147,543	157	(222,479)	4,838	-	-	(149,629)	4,741,537	-	114,244	4,855,781
<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	5,076,568
Profit for the period	-	-	-	-	-	-	-	48,635	48,635	-	(1,298)	47,337
Exchange difference arising from translation	-	-	-	(92,145)	-	-	-	-	(92,145)	-	1,070	(91,075)
Gain on fair value changes of available-for-sale investments	-	-	405,071	-	-	-	-	-	405,071	-	(71)	405,000
Income tax relating to components of other comprehensive income	-	-	(66,925)	-	-	-	-	-	(66,925)	-	-	(66,925)
Total comprehensive income for the period	-	-	338,146	(92,145)	-	-	-	48,635	294,636	-	(299)	294,337
Rights issue of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,972	5,972
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(91,507)	-	-	(91,507)	-	(9,113)	(100,620)
Employees' share options benefits for a subsidiary	-	-	-	-	-	-	-	-	-	435	55	490
Employee's share option lapsed during the period	-	-	-	-	(135)	-	-	135	-	-	-	-
At 30 June 2010	961,107	4,147,543	338,146	(107,071)	4,563	(91,507)	25,781	(170,075)	5,108,487	490	167,770	5,276,747

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

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

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

## 2. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

### Wex Pharmaceuticals Inc. ("Wex")

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

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

### Vitaquest International Holdings LLC ("Vitaquest")

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

### 3. TURNOVER AND SEGMENT INFORMATION

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

#### A. Segment turnover

An analysis of the segment turnover is as follows:

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

#### B. Segment results

An analysis of the segment results is as follows:

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

#### 4. OTHER INCOME, GAINS AND LOSSES

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

#### 5. STAFF COSTS

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

#### 6. TAXATION

##### Income tax recognised in profit or loss

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

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

## 6. TAXATION (CONT'D)

### Income tax recognised in other comprehensive income

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

## 7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
<b>Profit for the period</b>		
Profit for calculating basic and diluted earnings per share	48,635	256,454
<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 2010 and 2009.

## 8. DIVIDENDS

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

## 9. PROPERTY, PLANT AND EQUIPMENT

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

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

**10. INTANGIBLE ASSETS**

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Trademark HK\$'000	Customer relationship HK\$'000	Concession assets HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
Cost								
At 1 January 2010	540,782	14,834	3,018,381	93,012	366,528	108,061	8,770	4,150,368
Additions	29,758	-	-	-	-	-	-	29,758
Exchange difference	(1,426)	(11)	(39,333)	(412)	(9,251)	(6,366)	(1,114)	(57,913)
<b>At 30 June 2010</b>	<b>569,114</b>	<b>14,823</b>	<b>2,979,048</b>	<b>92,600</b>	<b>357,277</b>	<b>101,695</b>	<b>7,656</b>	<b>4,122,213</b>
Amortisation								
At 1 January 2010	18,194	2,577	-	-	114,983	35,233	7,198	178,185
Provided for the period	1,215	164	-	-	18,528	2,156	236	22,299
Exchange difference	(3)	(8)	-	-	(2,464)	(2,197)	(43)	(4,715)
<b>At 30 June 2010</b>	<b>19,406</b>	<b>2,733</b>	<b>-</b>	<b>-</b>	<b>131,047</b>	<b>35,192</b>	<b>7,391</b>	<b>195,769</b>
Carrying values								
<b>At 30 June 2010</b>	<b>549,708</b>	<b>12,090</b>	<b>2,979,048</b>	<b>92,600</b>	<b>226,230</b>	<b>66,503</b>	<b>265</b>	<b>3,926,444</b>
At 31 December 2009	522,588	12,257	3,018,381	93,012	251,545	72,828	1,572	3,972,183



## 11. RECEIVABLES AND PAYABLES

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

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

## 12. BANK LOANS AND BANK OVERDRAFTS

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

### 13. SHARE CAPITAL

	Number of shares of HK\$0.10 each '000	Nominal value HK\$'000
<b>Authorised</b>		
At 31 December 2009 and 30 June 2010	15,000,000	1,500,000
<b>Issued and fully paid</b>		
At 31 December 2009 and 30 June 2010	9,611,073	961,107

### 14. RELATED PARTY TRANSACTIONS

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

- (i) The Group made sales of HK\$11.5 million (2009: HK\$9.6 million) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.
- (ii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a non-controlling shareholder of Vitaquest. The total rental payment by the Group to Leknarf amounted to HK\$10.4 million (2009: HK\$8.6 million).

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

As at 30 June 2010, 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 2010 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2010	Option period	Subscription price per share HK\$
		Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2010			
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 2010, 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 2010, 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 2010, options to subscribe for an aggregate of 9,093,609 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						Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2010		
30/9/2002	1,603,386	-	-	(51,704)	-	1,551,682	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	3,740,559	-	-	(112,400)	-	3,628,159	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	4,026,168	-	-	(112,400)	-	3,913,768	19/1/2005 – 18/1/2014 (Note 3)	1.568

Notes:

- The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting periods:
  - up to 35% of the options commencing on 30 September 2003;
  - 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
  - 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.
- The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting periods:
  - up to 35% of the options commencing on 27 January 2004;
  - 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
  - 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.

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

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 2010, 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 were 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%

## (2) LONG POSITION OF OTHER PERSON 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 2010, the Company has 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.



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 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.

## (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 had 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 2010.

## (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 2010.

## (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 2010 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) Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES**

On 13 May 2005, two indirect wholly-owned subsidiaries of the Company had each entered into a loan facility letter with HSBC Bank Canada ("HSBC Loan Facility Agreements") in connection with or arising out of the acquisition of the entire issued and outstanding shares in the capital of Développement Santé Naturelle A.G. Ltée. One of the HSBC Loan Facility Agreements is for a 3-year term loan (the "HSBC Term Loan") and the other is for an operating facility (together the "HSBC Facilities") under which the Company guarantees the obligations of its wholly-owned subsidiaries under the HSBC Facilities. In March 2008, the HSBC Facilities were renewed and the maturity date of the HSBC Term Loan was extended to 15 May 2011. As at 30 June 2010, the outstanding balance of the HSBC Facilities amounted to HK\$118,164,000. The provisions of the HSBC Loan Facility Agreements require at least 44.01% direct or indirect interest in the Company to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). This obligation has been complied with.

### **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 2009 are those that the Group believes 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 2009 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 for you 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.

## 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

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Canadian Imperial Bank of Commerce  
Commonwealth Bank of Australia  
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

<http://www.ck-lifesciences.com>

## KEY DATE

Interim Results Announcement 26 July 2010