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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

THE CHAIRMAN'S STATEMENT FOR 2012

HK\$ Million	2012	2011	Variance
Turnover	4,545.0	3,511.6	+29%
Agriculture-related	1,645.4	1,214.0	+36%
Health	2,888.6	2,287.5	+26%
Investment	11.0	10.1	+9%
Profit attributable to shareholders	176.3	125.8	+40%

For the year ended 31 December 2012, CK Life Sciences Int'l. (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved a strong performance. Profit attributable to shareholders of the Company increased 40% as compared to last year, amounting to HK\$176.3 million.

The Board of Directors has recommended a final dividend of HK\$0.006 per share for the year ended 31 December 2012 (HK\$0.005 per share in 2011), a 20% increase over the previous year. The proposed dividend will be paid on 5 June 2013 following approval at the 2013 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on 24 May 2013.

GROWTH IN AGRICULTURE-RELATED BUSINESS THROUGH ACQUISITION

CK Life Sciences' agriculture-related business recorded a solid growth of 36% compared with the previous year and reported a turnover of HK\$1,645.4 million.

In February 2012, the Company's agriculture-related business achieved a major milestone with the A\$32.28 million (approximately HK\$265 million) acquisition of Peaty Trading Group ("Peaty"), the second largest supplier of products and services in the professional turf management industry and the pest management industry in Australia. Following the completion of the transaction, the businesses were consolidated under the Company's Amgrow Pty Ltd. CK Life Sciences is now one of the largest suppliers of agricultural products and services in Australia, particularly in turf management, home garden products and pest management.

CK Life Sciences further expanded its vineyard portfolio in October 2012 through the acquisition of 3 vineyards in Western Australia's Margaret River for A\$10.04 million (approximately HK\$81 million). Like our other vineyard investments, these premium vineyards are backed by long-term tenancies, and are poised to contribute a steady and recurrent income to CK Life Sciences. Altogether, CK Life Sciences' vineyard portfolio now features total area amounting to about 6,500 hectares (approximately 700 million sq. ft.). It is currently the second largest vineyard owner in Australasia.

In November 2012, CK Life Sciences entered into an agreement to acquire Cheetham Salt Limited ("Cheetham"), Australia's largest domestic producer of salt, for A\$150 million (approximately HK\$1.2 billion). Cheetham's salt fields and refineries are spread over about 9,300 hectares (approximately 1 billion sq. ft.) of leasehold and freehold land in Australia and New Zealand, of which around 90% is in Australia. The transaction was completed in February 2013. The acquisition of Cheetham would bring to CK Life Sciences the opportunity to enter another stable industry, expand land ownership profile and obtain access to a new flow of steady and immediate returns.

Other operations in Australia, Mainland China and Asia continued to achieve a steady performance in 2012.

NUTRACEUTICAL BUSINESS MAINTAINS GOOD PERFORMANCE

The Company's nutraceutical business reported turnover of HK\$2,888.6 million in 2012, an increase of 26% compared to last year.

The nutraceutical portfolio comprising Santé Naturelle A.G. Ltée ("Santé Naturelle") in Canada, Vitaquest International Holdings LLC ("Vitaquest") in the United States, and Lipa Pharmaceuticals Limited ("Lipa") in Australia all performed well, recording sales and profit increases.

During the year, Santé Naturelle introduced new products, strengthening their market share in key product segments; while both Vitaquest and Lipa completed expanding their facilities to increase production capabilities.

GOOD PROGRESS IN PHARMACEUTICAL R&D

CK Life Sciences' pharmaceutical R&D initiatives continued to make good progress during the year under review.

Research on the cancer vaccine for the treatment of melanoma by the Company's U.S. subsidiary Polynoma LLC ("Polynoma") achieved a new milestone. In January 2012, the U.S. Food and Drug Administration (FDA) accepted Polynoma's Investigational New Drug application for Phase III clinical testing of its melanoma vaccine in the United States, making CK Life Sciences one of the few Asian companies to obtain clearance from the FDA to commence Phase III clinical testing of a new drug. Patient enrollment for the adaptive Phase III clinical trial has already commenced and is progressing well.

CK Life Sciences has been studying a number of options to recognise and enhance the value of the melanoma vaccine via a number of avenues including the possibility of issuing an Initial Public Offering.

In 2012, the Phase III clinical trial of WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based pain management product for the treatment of cancer pain continued in Canada. At the same time, patient enrollment has commenced in the United States for a Phase II clinical trial to evaluate TTX for chemotherapy-induced neuropathic pain.

PROSPECTS

We are confident about the future prospects of CK Life Sciences.

Through the acquisitions of Peaty, 3 vineyards and Cheetham in Australia, the scope of our existing investment portfolio has been strengthened, and the profitability of our agriculture-related business enhanced.

Organic growth of our existing businesses is also poised to continue to contribute to our revenue stream.

With cash on hand of HK\$572 million and a net debt to net total capital ratio of 25.02%, we will continue to advance our existing businesses by seeking new opportunities that can bring secure and steady income to the Company.

CK Life Sciences has progressed well during 2012, and we will continue to build on this successful platform to deliver further growth in the coming year.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 6 March 2013

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2012, 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 other sources such as borrowings from banks and major shareholders.

The financing from banks and major shareholders was mainly for the purpose of acquiring the Group's overseas businesses as well as providing general working capital for some of the overseas businesses. As at 31 December 2012, the total borrowings from banks and major shareholders amounted to HK\$1,690,043,000 and HK\$756,000,000, respectively. Most of these borrowings were principally on a floating interest rate basis and were granted based on the guarantees of and/or some committed terms by the Company. Other than such guarantees/commitments, as at 31 December 2012, certain assets of the Group's overseas subsidiaries with carrying value of HK\$1,635,914,000 were pledged as part of the security for bank borrowings totalling HK\$742,043,000. The total finance costs of the Group for the year were HK\$88,623,000.

At the end of 2012, the total assets of the Group were about HK\$9,299,963,000, of which bank balances and time deposits were about HK\$572,113,000 and treasury investments were about HK\$539,261,000. The bank interest generated for the year was HK\$10,390,000. The total gain arising from the Group's investment segment for the year was HK\$47,980,000.

The total net assets of the Group as at 31 December 2012 were HK\$5,723,698,000, representing HK\$0.60 per share. The net debt to net total capital ratio of the Group as at 31 December 2012 was approximately 25.02%, which is calculated as the Group's net borrowings over the aggregate of the Group's total equity and net borrowings. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

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 February 2012, the Group completed the acquisition of the entire interests in the Peaty Trading Operation (as defined below). The Peaty Trading Operation mainly comprises three privately owned operating companies incorporated under the laws of Australia with limited liabilities, which collectively form a vertically integrated producer, wholesaler and distributor of plant protection, specialty fertilisers and pest control products for the professional turf, agricultural, horticultural and urban pest control market (the "Peaty Trading Operation"). The transaction constitutes a discloseable transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the transaction were disclosed in the Company's announcement dated 4 January 2012.

Other than the aforementioned, there was no material acquisition / disposal during the year under review.

Subsequent to the reporting period, in February 2013, the Group completed the acquisition of the entire issued share capital of Cheetham Salt Limited, which is principally engaged in the business of the production, refining and distribution of salt products for both food production and industrial applications throughout Australia, New Zealand and various parts in Asia. The transaction constitutes a discloseable transaction under the Listing Rules. Details of the transaction were disclosed in note 13 to the consolidated financial statements and the announcement of the Company dated on 29 November 2012.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$161,972,000 in 2012.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2012, the total capital commitments by the Group amounted to HK\$1,288,000 which were mainly made up of contracted commitments in respect of the acquisition of plant and equipment.

Information on Employees

The total number of full-time employees of the Group was 1,278 as at 31 December 2012, and is 121 more than the total headcount of 1,157 as at 31 December 2011. The increase in headcount was mainly due to the inclusion of Peaty Trading Operation during the year. The total staff costs, including directors' emoluments, amounted to approximately HK\$883.5 million for the year under review, which represents an increase of 25% as compared to the previous year.

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012 (2011: Nil).

Consolidated Income Statement
For the year ended 31 December 2012

		<u>2012</u>	<u>2011</u>
	Notes	HK\$'000	HK\$'000
Turnover	3	4,545,022	3,511,563
Cost of sales		<u>(2,992,216)</u>	<u>(2,331,432)</u>
		1,552,806	1,180,131
Other income, gains and losses	4	(6,361)	(9,061)
Staff costs	5	(438,644)	(363,086)
Depreciation		(18,072)	(17,673)
Amortisation of intangible assets		(51,328)	(44,932)
Other expenses		(646,284)	(494,125)
Finance costs	6	(88,623)	(89,164)
Share of results of associates		(2,481)	(731)
Profit before taxation		<u>301,013</u>	161,359
Taxation	7	(102,979)	(46,252)
Profit for the year		<u>198,034</u>	<u>115,107</u>
Attributable to:			
Shareholders of the Company		176,331	125,826
Non-controlling interests of subsidiaries		21,703	(10,719)
		<u>198,034</u>	<u>115,107</u>
Earnings per share	8		
- Basic		<u>1.83 cents</u>	<u>1.31 cents</u>
- Diluted		<u>1.83 cents</u>	<u>1.31 cents</u>

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
Profit for the year	<u>198,034</u>	<u>115,107</u>
Other comprehensive income/(expenses)		
Exchange difference arising from translation of foreign operations	44,019	(46,164)
Loss on fair value changes of available-for-sale investments	(10,433)	(176,843)
Reclassification adjustment upon impairment of available-for-sale investments	50,700	-
Other comprehensive income/(expenses) for the year	<u>84,286</u>	<u>(223,007)</u>
Total comprehensive income/(expenses) for the year	<u>282,320</u>	<u>(107,900)</u>
Total comprehensive income/(expenses) attributable to:		
Shareholders of the Company	254,317	(97,880)
Non-controlling interests of subsidiaries	28,003	(10,020)
	<u>282,320</u>	<u>(107,900)</u>

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
Non-current assets			
Investment properties		947,866	813,502
Vines		542,218	537,571
Property, plant and equipment		561,604	575,962
Intangible assets		4,302,480	4,133,396
Interests in associates		16,260	18,622
Available-for-sale investments		335,386	368,621
Investments at fair value through profit or loss		130,923	153,130
Deferred taxation		33,353	23,718
		<u>6,870,090</u>	<u>6,624,522</u>
Current assets			
Investments at fair value through profit or loss		64,718	76,083
Derivative financial instruments		8,234	3,102
Tax recoverable		5,044	42
Inventories		796,031	650,886
Receivables and prepayments	10	983,733	983,985
Time deposits		-	91,200
Bank balances and deposits		572,113	380,415
		<u>2,429,873</u>	<u>2,185,713</u>
Current liabilities			
Payables and accruals	11	(923,122)	(822,767)
Derivative financial instruments		(17,363)	(37,151)
Bank borrowings		(124,414)	-
Finance lease obligations		(431)	(373)
Taxation		(112,774)	(61,988)
		<u>(1,178,104)</u>	<u>(922,279)</u>
Net current assets		<u>1,251,769</u>	<u>1,263,434</u>
Total assets less current liabilities		<u>8,121,859</u>	<u>7,887,956</u>
Non-current liabilities			
Bank borrowings		(1,565,629)	(1,691,606)
Finance lease obligations		(1,148)	(1,277)
Other borrowings		(790,376)	(536,201)
Deferred taxation		(41,008)	(26,314)
		<u>(2,398,161)</u>	<u>(2,255,398)</u>
Total net assets		<u>5,723,698</u>	<u>5,632,558</u>
Capital and reserves			
Share capital		961,107	961,107
Share premium and reserves		4,502,705	4,407,652
Equity attributable to shareholders of the Company		<u>5,463,812</u>	<u>5,368,759</u>
Non-controlling interests of subsidiaries		259,886	263,799
Total equity		<u>5,723,698</u>	<u>5,632,558</u>

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	Attributable to shareholders of the Company							Attributable to non-controlling interests of subsidiaries				Total
	Share capital	Share premium	Investment revaluation reserve	Translation reserve	Employee share-based compensation reserve	Other reserves	(Accumulated losses) / retained earnings	Subtotal	Share option reserve of a subsidiary	Non- controlling interests	Subtotal	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011	961,107	4,147,543	214,355	241,614	4,545	(47,497)	(10,141)	5,511,526	798	110,129	110,927	5,622,453
Profit for the year	-	-	-	-	-	-	125,826	125,826	-	(10,719)	(10,719)	115,107
Exchange differences arising from translation	-	-	-	(46,840)	-	-	-	(46,840)	91	585	676	(46,164)
(Loss)/gain on fair value changes of available-for-sale investments	-	-	(176,866)	-	-	-	-	(176,866)	-	23	23	(176,843)
Total comprehensive income for the year	-	-	(176,866)	(46,840)	-	-	125,826	(97,880)	91	(10,111)	(10,020)	(107,900)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	152,994	152,994	152,994
Capital injection of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	103,890	103,890	103,890
Acquisition of additional interests in subsidiaries	-	-	-	-	-	2,230	-	2,230	-	(58,333)	(58,333)	(56,103)
Employees' share option benefits for a subsidiary	-	-	-	-	-	-	-	-	184	24	208	208
Employees' share option of a subsidiary exercised	-	-	-	-	-	-	-	-	(251)	565	314	314
Employees' share option of a subsidiary lapsed	-	-	-	-	-	-	938	938	(822)	(116)	(938)	-
Employees' share option lapsed	-	-	-	-	(194)	-	194	-	-	-	-	-
Dividends paid to the shareholders of the Company – 2010 final dividend HK\$0.005 per share	-	(48,055)	-	-	-	-	-	(48,055)	-	-	-	(48,055)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(35,243)	(35,243)	(35,243)
At 1 January 2012	961,107	4,099,488	37,489	194,774	4,351	(45,267)	116,817	5,368,759	-	263,799	263,799	5,632,558
Profit for the year	-	-	-	-	-	-	176,331	176,331	-	21,703	21,703	198,034
Exchange differences arising from translation	-	-	-	37,719	-	-	-	37,719	-	6,300	6,300	44,019
Loss on fair value changes of available-for-sale investments	-	-	(10,433)	-	-	-	-	(10,433)	-	-	-	(10,433)
Reclassification adjustments upon impairment of available-for-sale investments	-	-	50,700	-	-	-	-	50,700	-	-	-	50,700
Total comprehensive income for the year	-	-	40,267	37,719	-	-	176,331	254,317	-	28,003	28,003	282,320
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(111,209)	-	(111,209)	-	3,686	3,686	(107,523)
Employees' share option lapsed	-	-	-	-	(185)	-	185	-	-	-	-	-
Dividends paid to the shareholders of the Company – 2011 final dividend HK\$0.005 per share	-	(48,055)	-	-	-	-	-	(48,055)	-	-	-	(48,055)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(35,602)	(35,602)	(35,602)
At 31 December 2012	961,107	4,051,433	77,756	232,493	4,166	(156,476)	293,333	5,463,812	-	259,886	259,886	5,723,698

Notes to the Consolidated Financial Statements

1. Organisation and Operations

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

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

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

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

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

The adoption of the new and revised HKFRSs had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1 ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ³
HKFRS 13	Fair Value Measurement ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the application of HKFRS 9 may affect the classification and measurement of the Group's available-for-sale investments and may have an impact on amounts reported in respect of the Group's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 Consolidated Financial Statements replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. It includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires significant judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates and / or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more comprehensive than those in the current standards.

HKFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope. The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

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

3. Turnover

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

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
Agriculture-related	1,645,388	1,213,982
Health	2,888,630	2,287,513
Investment	11,004	10,068
	<u>4,545,022</u>	<u>3,511,563</u>

4. Other Income, Gains and Losses

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	10,390	11,053
Other interest income	1,713	3,845
Gain on acquisition of a subsidiary	-	138,518
Gain/(loss) on fair value changes of investment properties	6,521	(131,287)
(Loss)/gain on fair value changes of vines	(29,813)	28,559
Impairment of available-for-sale investments	(50,700)	-
Net gain/(loss) on investments at fair value through profit or loss		
- Investments held for trading	13,625	(22,561)
- Others	36,294	(52,884)
Net gain on derivative financial instruments	<u>4,042</u>	<u>1,715</u>

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the year amounted to HK\$883.5 million (2011: HK\$704.7 million) of which HK\$444.9 million (2011: HK\$341.6 million) relating to direct labor costs were included in cost of sales.

6. Finance Costs

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	72,011	80,364
Bank overdrafts	921	201
Other borrowings	15,580	8,420
Finance leases	111	179
	<u>88,623</u>	<u>89,164</u>

7. Taxation

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	71	3,044
Other jurisdictions	116,632	44,463
Over provision in prior years		
Hong Kong	(368)	-
Other jurisdictions	(1,650)	(430)
Deferred tax		
Hong Kong	-	-
Other jurisdictions	(11,706)	(825)
	<u>102,979</u>	<u>46,252</u>

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

8. Earnings Per Share

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

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	<u>176,331</u>	<u>125,826</u>
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the two years ended 31 December 2012 and 31 December 2011.

9. Dividends

A final dividend for the year ended 31 December 2012 of HK\$0.006 per share (2011: HK\$0.005 per share) with an aggregate amount of HK\$57,666,000 (2011: HK\$48,055,000) had been proposed by the directors. It is subject to approval by the shareholders in the forthcoming general meeting.

10. Receivables and Prepayments

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
Trade receivables	883,165	784,362
Less: provision for impairment	<u>(59,994)</u>	<u>(21,013)</u>
	823,171	763,349
Other receivables, deposits and prepayments	<u>160,562</u>	<u>220,636</u>
	<u><u>983,733</u></u>	<u><u>983,985</u></u>

The Group has a policy of allowing an average credit period of 0 to 90 days to its customers.

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

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
0 - 90 days	731,600	671,660
Over 90 days	<u>91,571</u>	<u>91,689</u>
	<u><u>823,171</u></u>	<u><u>763,349</u></u>

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

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
Current	<u>564,619</u>	<u>557,286</u>
Less than 90 days past due	222,810	187,078
Over 90 days past due	<u>35,742</u>	<u>18,985</u>
	<u><u>258,552</u></u>	<u><u>206,063</u></u>
	<u><u>823,171</u></u>	<u><u>763,349</u></u>

11. Payables and Accruals

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
Trade payables	291,792	295,900
Other payables and accrued charges	<u>631,330</u>	<u>526,867</u>
Financial liabilities measured at amortised cost	<u><u>923,122</u></u>	<u><u>822,767</u></u>

The following is an analysis of trade payable by age, presented based on invoice dates.

	<u>2012</u> HK\$'000	<u>2011</u> HK\$'000
0 - 90 days	278,766	291,021
Over 90 days	<u>13,026</u>	<u>4,879</u>
	<u><u>291,792</u></u>	<u><u>295,900</u></u>

12. Segment Information

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

(a) Reportable segment information

	Agriculture-related		Health		Investment		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	1,645,388	1,213,982	2,888,630	2,287,513	11,004	10,068	-	-	4,545,022	3,511,563
Segment results	297,688	291,132	354,375	278,263	47,980	(54,729)	-	-	700,043	514,666
Business development expenditure									(32,063)	(18,542)
Research and development expenditure									(161,972)	(145,454)
Corporate expenses									(113,891)	(99,416)
Finance costs									(88,623)	(89,164)
Share of results of associates									(2,481)	(731)
Profit before taxation									301,013	161,359
Taxation									(102,979)	(46,252)
Profit for the year									198,034	115,107
Other information										
Amortisation of intangible assets	(14,886)	(8,433)	(36,442)	(36,499)	-	-	-	-	(51,328)	(44,932)
Depreciation	(13,908)	(11,048)	(35,202)	(42,454)	-	-	(3,458)	(3,316)	(52,568)	(56,818)
Net (impairment) /recovery of impairment of trade receivables	(3,278)	33	(41,811)	(4,394)	-	-	-	-	(45,089)	(4,361)
Gain on purchase of a subsidiary	-	138,518	-	-	-	-	-	-	-	138,518
Gain/(loss) on fair value change of investment properties	6,521	(131,287)	-	-	-	-	-	-	6,521	(131,287)
(Loss)/gain on fair value change of vines	(29,813)	28,559	-	-	-	-	-	-	(29,813)	28,559
Impairment of intangible assets	(2,857)	(3,914)	-	-	-	-	-	-	(2,857)	(3,914)
Impairment of property, plant and equipment	-	(1,981)	-	-	-	-	-	-	-	(1,981)
Net impairment of other receivables	-	-	(49,968)	-	-	-	-	-	(49,968)	-
Impairment of available-for-sale investments	-	-	-	-	(50,700)	-	-	-	(50,700)	-

(b) Geographical information

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

	Turnover (note i)		Non-current assets (note ii)	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Asia Pacific	2,796,441	2,141,965	3,273,066	2,975,542
North America	1,737,577	1,359,530	3,097,362	3,103,511
	4,534,018	3,501,495	6,370,428	6,079,053

Notes :

- i. Turnover excluding investment income generated from financial instruments.
- ii. Non-current assets excluding financial instruments and deferred tax assets.

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

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

13. Events After the Reporting Period

As detailed in the announcement of the Company dated 29 November 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Cheetham Salt Limited ("Cheetham") at a cash consideration of A\$150 million (approximately HK\$1,214 million). Cheetham is a limited company incorporated under the law of Australia and is principally engaged in the business of the production, refining and distribution of salt products for both food production and industrial applications throughout Australia, New Zealand and various parts in Asia. The transaction was completed subsequent to the reporting period, in February 2013.

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

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, 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 during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Chief Executive Officer. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director did not attend the annual general meeting of the Company held on 24 May 2012 due to an overseas commitment and a Non-executive Director and two Independent Non-executive Directors attended the extraordinary general meeting of the Company held on 29 August 2012 via telephone conference.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

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, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee (“Remuneration Committee”) on 1 January 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor, and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 20 May 2013 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 Tuesday, 14 May 2013 to Monday, 20 May 2013, 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 2013 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 Monday, 13 May 2013.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at close of business on Friday, 24 May 2013, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, 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. Friday, 24 May 2013.

As at the date of this document, the Executive Directors of the Company are Mr. Li Tzar Kuoi, Victor (Chairman), Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Yu Ying Choi, Alan Abel and Dr. Chu Kee Hung; and the Non-executive Directors are Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard (Independent Non-executive Director), Mrs. Kwok Eva Lee (Independent Non-executive Director) and Mr. Colin Stevens Russel (Independent Non-executive Director).