

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



**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 2013

HK\$ Million	2013	2012	Variance
Turnover	<b>4,970.9</b>	4,545.0	+9%
Agriculture-related	<b>2,208.1</b>	1,645.4	+34%
Health	<b>2,756.2</b>	2,888.6	-5%
Investment	<b>6.6</b>	11.0	-40%
Profit attributable to shareholders	<b>229.0</b>	176.3	+30%

I am pleased to announce that CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") reported a turnover of HK\$4.97 billion in 2013.

Profit attributable to shareholders of the Company was HK\$229 million, a 30% increase compared to the previous year.

The Board of Directors has recommended a final dividend of HK\$0.007 per share for the year ended 31 December 2013 (HK\$0.006 per share in 2012), a 17% increase over the previous year. The proposed dividend will be paid on Friday, 30 May 2014 following approval at the 2014 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 21 May 2014.

### ACQUISITION DROVE GROWTH IN AGRICULTURE-RELATED BUSINESS

Agriculture-related business continued to record growth in 2013. Turnover was HK\$2,208.1 million, a 34% increase compared with last year. Profit recorded was HK\$338 million, representing a 15% increase from 2012.

2013 marked CK Life Sciences' expansion into the salt industry. In February 2013, the Company acquired Cheetham Salt Limited ("Cheetham"), the largest Australian domestic producer of salt, for A\$150 million (approximately HK\$1.2 billion). Cheetham has a significant market share in Australia and New Zealand, and owns salt fields and refineries that are spread over about 9,300 hectares of freehold and leasehold land in these two countries. This transaction has broadened CK Life Sciences' agricultural reach and expanded its land ownership profile. Cheetham has contributed 10 months of immediate profit contribution to the Company during the year under review.

In October 2013, CK Life Sciences further expanded its vineyard portfolio through the acquisition of Northbank Millennium Vineyard in Marlborough, New Zealand for NZ\$16.2 million (approximately HK\$105 million). Similar to our other vineyard investments, the Northbank Millennium Vineyard is backed by the security of a long-term tenancy agreement, and is poised to provide the Company with an immediate and steady recurrent income. Following this latest purchase, the Company now owns about 6,700 hectares of vineyards in the region, further strengthening CK Life Sciences' present position as the second largest vineyard owner in Australasia.

During the year under review, other agriculture-related businesses in Australia, Mainland China and Asia achieved steady performance. In Australia, Amgrow Pty Ltd which serves the home garden, golf and turf, horticulture and broadacre markets expanded its factory in south Brisbane to produce liquid fertilizers. Meanwhile, Accensi Pty Ltd, the leading independent toll manufacturer of crop protection products in Australia, is making plans to establish a new manufacturing facility in Victoria to capitalize on growing sales potential. The China market reported steady progress and growth.

### **NUTRACEUTICAL BUSINESS PERFORMED SATISFACTORILY**

CK Life Sciences' nutraceutical business comprised 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. This segment reported a 5% decrease in turnover compared to last year due to the impact caused by the Australian dollar exchange rate, as well as a relatively lower sales volume reported by Lipa. Profitability of this segment, however, increased 15% to HK\$407 million as a result of efficiency in sales and production.

In 2013, Santé Naturelle launched new products and strengthened its market share in key product segments. It was chosen by consumers to be the winner of Canada's prestigious Consumer Choice Award in the health product category.

In Australia, Lipa completed a geographic diversification and established a new facility dedicated to liquid and cream manufacturing to further enhance production capabilities.

Vitaquest recorded satisfactory sales and profit growth during the year, with top customers achieving double-digit growth. Improvement in powder manufacturing operations has enabled it to capture a bigger share of this important growth segment in the market.

### **CONTINUED ADVANCEMENT IN PHARMACEUTICAL R&D**

CK Life Sciences' R&D activities continued to make steady headway. As reflected in the Consolidated Income Statement, HK\$226 million of research funding was expensed in 2013 to support these activities.

Research on the Company's melanoma vaccine, through its United States subsidiary Polynoma LLC ("Polynoma"), made good advancement. Patient enrollment for the first part of Polynoma's adaptive Phase III clinical trial progressed well and was completed in the second half of 2013.

During the year, patient enrollment in Canada for the Phase III clinical trial of WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based pain management product for the treatment of cancer pain was completed. Patient recruitment in the United States for the Phase II clinical trial to evaluate TTX for chemotherapy-induced neuropathic pain had also continued to make advancement.

## **PROSPECTS**

We have confidence in CK Life Sciences' future prospects.

Through a series of acquisitions over the years, CK Life Sciences has built an extensive portfolio of health and agriculture-related businesses in different parts of the world, particularly in Australia. The Company is now the largest supplier of turf management products and services in Australia, as well as the second largest supplier in the country's home garden products industry and pest management industry. It is one of the largest manufacturers of health supplements and complementary medicines in Australia, and is the second largest vineyard owner in the country. Through the acquisition of Cheetham in 2013, CK Life Sciences is now also the largest domestic salt producer in Australia. In addition, Cheetham has enabled CK Life Sciences to gain ownership of about 9,300 hectares of freehold and leasehold land. Adding this to the Company's 6,700 hectares of vineyard land, CK Life Sciences' freehold and leasehold land in Australia and New Zealand now amounts to about 16,000 hectares (approximately 1.72 billion sq. ft.).

Our existing business operations have provided us with a steady revenue stream, generating necessary funding for the development of the Company's R&D developments, while contributing profit for our shareholders.

With a turnover of close to HK\$5 billion and a 30% increase in profit, CK Life Sciences has performed well in 2013. We will build on this performance and will continue to leverage on our solid business operations to drive further growth in the future.

In addition to pursuing organic growth, continued efforts will be made to expand our business by prudently seeking suitable investment opportunities that can add value to our existing portfolio.

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 24 February 2014

## **FINANCIAL REVIEW**

### **Financial Resources, Liquidity and Treasury Policies**

In 2013, 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 2013, the total borrowings from banks and major shareholders amounted to HK\$2,430.7 million and HK\$1,356.0 million, 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 2013, certain assets of the Group's overseas subsidiaries with carrying value of HK\$1,452.7 million were pledged as part of the security for bank borrowings totalling HK\$670.5 million. The total finance costs of the Group for the year were HK\$104.0 million.

At the end of 2013, the total assets of the Group were about HK\$10,219.8 million, of which bank balances and time deposits were about HK\$767.7 million and treasury investments were about HK\$339.6 million. The bank interest generated for the year was HK\$8.4 million. The total gain arising from the Group's investment segment for the year was HK\$17.5 million.

The total net assets of the Group as at 31 December 2013 were HK\$5,200.3 million, representing HK\$0.54 per share. The net debt to net total capital ratio of the Group as at 31 December 2013 was approximately 36.92%, 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, 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 2013, the Group completed the acquisition of the entire interests in Cheetham Salt Limited ("Cheetham"). Cheetham is a limited liability company incorporated under the laws 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 constitutes a discloseable transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in the Company's announcement dated 29 November 2012.

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$225.5 million in 2013.

### **Capital Commitments and Future Plans for Material Investments or Capital Assets**

As of 31 December 2013, the total capital commitments by the Group amounted to HK\$28.7 million which were mainly made up of authorised/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 1,619 as at 31 December 2013, and is 341 more than the total headcount of 1,278 as at 31 December 2012. The increase in headcount was mainly due to the inclusion of Cheetham during the year. The total staff costs, including directors' emoluments, amounted to approximately HK\$917.7 million for the year under review, which represents an increase of 4% 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 its employees 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 2013 (2012: Nil).

**Consolidated Income Statement**  
**For the year ended 31 December 2013**

	Notes	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Turnover	3	<b>4,970,927</b>	4,545,022
Cost of sales		<b>(3,229,113)</b>	(2,992,216)
		<u><b>1,741,814</b></u>	<u>1,552,806</u>
Other income, gains and losses	4	<b>42,707</b>	(6,361)
Staff costs	5	<b>(489,963)</b>	(438,644)
Depreciation		<b>(19,595)</b>	(18,072)
Amortisation of intangible assets		<b>(50,650)</b>	(51,328)
Other expenses		<b>(860,622)</b>	(646,284)
Finance costs	6	<b>(103,953)</b>	(88,623)
Share of results of associates and joint ventures		<b>43,991</b>	(2,481)
Profit before taxation		<u><b>303,729</b></u>	<u>301,013</u>
Taxation	7	<b>(69,183)</b>	(102,979)
Profit for the year		<u><b>234,546</b></u>	<u>198,034</u>
Attributable to:			
Shareholders of the Company		<b>229,008</b>	176,331
Non-controlling interests of subsidiaries		<b>5,538</b>	21,703
		<u><b>234,546</b></u>	<u>198,034</u>
Earnings per share	8		
- Basic		<u><b>2.38 cents</b></u>	<u>1.83 cents</u>
- Diluted		<u><b>2.38 cents</b></u>	<u>1.83 cents</u>

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2013**

	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
Profit for the year	<u>234,546</u>	<u>198,034</u>
Other comprehensive income/(expenses)		
<b>Item that will not be reclassified subsequently to profit or loss:</b>		
Gain on revaluation of property, plant and equipment	<u>34,379</u>	-
	<u>34,379</u>	-
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference arising from translation of foreign operations	(647,386)	44,019
Loss on fair value changes of available-for-sale investments	(45,871)	(10,433)
Reclassification adjustment upon impairment of available-for-sale investments	<u>2,229</u>	<u>50,700</u>
	<u>(691,028)</u>	<u>84,286</u>
Other comprehensive (expenses)/income for the year	<u>(656,649)</u>	<u>84,286</u>
Total comprehensive (expenses)/income for the year	<u>(422,103)</u>	<u>282,320</u>
Total comprehensive (expenses)/income attributable to:		
Shareholders of the Company	(403,640)	254,317
Non-controlling interests of subsidiaries	<u>(18,463)</u>	<u>28,003</u>
	<u>(422,103)</u>	<u>282,320</u>

**Consolidated Statement of Financial Position**  
**As at 31 December 2013**

	Notes	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
<b>Non-current assets</b>			
Investment properties		926,897	947,866
Vines		539,502	542,218
Property, plant and equipment		1,177,459	561,604
Intangible assets		4,002,647	4,302,480
Interests in associates and joint ventures		365,531	16,260
Available-for-sale investments		289,515	335,386
Investments at fair value through profit or loss		-	130,923
Deferred taxation		31,447	33,353
		<u>7,332,998</u>	<u>6,870,090</u>
<b>Current assets</b>			
Investments at fair value through profit or loss		43,924	64,718
Derivative financial instruments		6,182	8,234
Tax recoverable		15,705	5,044
Inventories		952,912	796,031
Receivables and prepayments	10	1,036,987	983,733
Bank balances and deposits		767,661	572,113
		<u>2,823,371</u>	<u>2,429,873</u>
Assets classified as held for sale		63,409	-
		<u>2,886,780</u>	<u>2,429,873</u>
<b>Current liabilities</b>			
Payables and accruals	11	(1,089,290)	(923,122)
Derivative financial instruments		(5,062)	(17,363)
Bank borrowings		(950,758)	(124,414)
Finance lease obligations		(758)	(431)
Other borrowings		(75,000)	-
Taxation		(58,846)	(112,774)
		<u>(2,179,714)</u>	<u>(1,178,104)</u>
Liabilities associated with assets classified as held for sale		(36,027)	-
		<u>(2,215,741)</u>	<u>(1,178,104)</u>
<b>Net current assets</b>		<u>671,039</u>	<u>1,251,769</u>
<b>Total assets less current liabilities</b>		<u>8,004,037</u>	<u>8,121,859</u>

**Consolidated Statement of Financial Position (cont'd)**  
**As at 31 December 2013**

	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
<b>Non-current liabilities</b>		
Bank borrowings	(1,479,931)	(1,565,629)
Finance lease obligations	(243)	(1,148)
Other borrowings	(1,281,000)	(790,376)
Deferred taxation	(42,568)	(41,008)
	<u>(2,803,742)</u>	<u>(2,398,161)</u>
<b>Total net assets</b>	<u>5,200,295</u>	<u>5,723,698</u>
<b>Capital and reserves</b>		
Share capital	961,107	961,107
Share premium and reserves	4,015,830	4,502,705
<b>Equity attributable to shareholders of the Company</b>	<u>4,976,937</u>	<u>5,463,812</u>
Non-controlling interests of subsidiaries	223,358	259,886
<b>Total equity</b>	<u>5,200,295</u>	<u>5,723,698</u>

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2013**

	Attributable to shareholders of the Company										
	Share capital	Share premium	Investment revaluation reserve	Asset revaluation reserve	Translation reserve	Employee share-based compensation reserve	Other reserves	Retained earnings	Subtotal	Attributable to non-controlling interests of subsidiaries	Total
	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 2012	961,107	4,099,488	37,489	-	194,774	4,351	(45,267)	116,817	5,368,759	263,799	5,632,558
Profit for the year	-	-	-	-	-	-	-	176,331	176,331	21,703	198,034
Exchange differences arising from translation	-	-	-	-	37,719	-	-	-	37,719	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	282,320
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(111,209)	-	(111,209)	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)
At 1 January 2013	<b>961,107</b>	<b>4,051,433</b>	<b>77,756</b>	-	<b>232,493</b>	<b>4,166</b>	<b>(156,476)</b>	<b>293,333</b>	<b>5,463,812</b>	<b>259,886</b>	<b>5,723,698</b>
Profit for the year	-	-	-	-	-	-	-	229,008	229,008	5,538	234,546
Exchange differences arising from translation	-	-	-	-	(623,385)	-	-	-	(623,385)	(24,001)	(647,386)
Gain on revaluation of property, plant and equipment	-	-	-	34,379	-	-	-	-	34,379	-	34,379
Loss on fair value changes of available-for-sale investments	-	-	(45,871)	-	-	-	-	-	(45,871)	-	(45,871)
Reclassification adjustments upon impairment of available-for-sale investments	-	-	2,229	-	-	-	-	-	2,229	-	2,229
Total comprehensive (expenses)/ income for the year	-	-	(43,642)	34,379	(623,385)	-	-	229,008	(403,640)	(18,463)	(422,103)
Addition in interests in a subsidiary	-	-	-	-	-	-	(25,569)	-	(25,569)	8,221	(17,348)
Employees' share option lapsed	-	-	-	-	-	(1,664)	-	1,664	-	-	-
Dividends paid to the shareholders of the Company – 2012 final dividend HK\$0.006 per share	-	(57,666)	-	-	-	-	-	-	(57,666)	-	(57,666)
Dividends distributed to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(26,286)	(26,286)
At 31 December 2013	<b>961,107</b>	<b>3,993,767</b>	<b>34,114</b>	<b>34,379</b>	<b>(390,892)</b>	<b>2,502</b>	<b>(182,045)</b>	<b>524,005</b>	<b>4,976,937</b>	<b>223,358</b>	<b>5,200,295</b>

## 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.

Except for the adoption of HKFRS 13 Fair Value Measurement as detailed below, the adoption of other new and revised HKFRSs had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

#### HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad. The fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Lease, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosure required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amount recognised in the consolidated financial statements.

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

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions <sup>2</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets <sup>1</sup>
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities <sup>1</sup>
HK(IFRIC) - Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>4</sup> Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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 of the Company 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.

Based on the existing available information, the Directors of the Company preliminarily anticipate that the adoption of the 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>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
Agriculture-related	2,208,118	1,645,388
Health	2,756,217	2,888,630
Investment	6,592	11,004
	<u>4,970,927</u>	<u>4,545,022</u>

### 4. Other Income, Gains and Losses

	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	8,443	10,390
Other interest income	1,148	1,713
Unrealised gain on fair value changes of investment properties	3,041	6,521
Unrealised gain/(loss) on fair value changes of vines	6,861	(29,813)
Impairment of available-for-sale investments	(2,229)	(50,700)
Net gain on investments at fair value through profit or loss		
- Investments held for trading	11,035	13,625
- Others	6,213	36,294
Net gain on derivative financial instruments	329	4,042

### 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\$917.7 million (2012: HK\$883.5 million) of which HK\$427.7 million (2012: HK\$444.9 million) relating to direct labor costs were included in cost of sales.

### 6. Finance Costs

	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	76,924	72,932
Other borrowings	26,945	15,580
Finance leases	84	111
	<u>103,953</u>	<u>88,623</u>

## 7. Taxation

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	46	71
Other jurisdictions	67,253	116,632
Over provision in prior years		
Hong Kong	(102)	(368)
Other jurisdictions	(17,574)	(1,650)
Deferred tax		
Hong Kong	-	-
Other jurisdictions	19,560	(11,706)
	<u>69,183</u>	<u>102,979</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>2013</u> HK\$'000	<u>2012</u> HK\$'000
<b>Profit for the year attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<u>229,008</u>	<u>176,331</u>
<b>Number of shares</b>		
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 2013 and 31 December 2012.

## 9. Dividends

A final dividend for the year ended 31 December 2013 of HK\$0.007 per share (2012: HK\$0.006 per share) with an aggregate amount of HK\$67,278,000 (2012: HK\$57,666,000) had been proposed by the directors. It is subject to approval by the shareholders in the forthcoming general meeting.

## 10. Receivables and Prepayments

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Trade receivables	892,553	883,165
Less: provision for impairment	<u>(31,080)</u>	<u>(59,994)</u>
	861,473	823,171
Other receivables, deposits and prepayments	<u>175,514</u>	<u>160,562</u>
	<u><u>1,036,987</u></u>	<u><u>983,733</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>2013</u> HK\$'000	<u>2012</u> HK\$'000
0 - 90 days	808,427	731,600
Over 90 days	<u>53,046</u>	<u>91,571</u>
	<u><u>861,473</u></u>	<u><u>823,171</u></u>

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Current	<u>591,563</u>	<u>564,619</u>
Less than 90 days past due	254,884	222,810
Over 90 days past due	<u>15,026</u>	<u>35,742</u>
	<u>269,910</u>	<u>258,552</u>
	<u><u>861,473</u></u>	<u><u>823,171</u></u>

## 11. Payables and Accruals

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Trade payables	392,563	291,792
Other payables and accrued charges	<u>696,727</u>	<u>631,330</u>
Financial liabilities measured at amortised cost	<u>1,089,290</u>	<u>923,122</u>

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
0 - 90 days	386,115	278,766
Over 90 days	<u>6,448</u>	<u>13,026</u>
	<u><u>392,563</u></u>	<u><u>291,792</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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<b>2,208,118</b>	1,645,388	<b>2,756,217</b>	2,888,630	<b>6,592</b>	11,004	-	-	<b>4,970,927</b>	4,545,022
Segment results	<b>338,412</b>	295,207	<b>407,208</b>	354,375	<b>17,485</b>	47,980	-	-	<b>763,105</b>	697,562
Business development expenditure									<b>(49,791)</b>	(32,063)
Research and development expenditure									<b>(225,503)</b>	(161,972)
Corporate expenses									<b>(80,129)</b>	(113,891)
Finance costs									<b>(103,953)</b>	(88,623)
Profit before taxation									<b>303,729</b>	301,013
Taxation									<b>(69,183)</b>	(102,979)
Profit for the year									<b>234,546</b>	198,034
Other information										
Amortisation of intangible assets	<b>(15,153)</b>	(14,886)	<b>(35,497)</b>	(36,442)	-	-	-	-	<b>(50,650)</b>	(51,328)
Depreciation	<b>(44,547)</b>	(13,908)	<b>(36,648)</b>	(35,202)	-	-	<b>(4,652)</b>	(3,458)	<b>(85,847)</b>	(52,568)
Net (impairment of)/recovery of trade receivables	<b>(3,424)</b>	(3,278)	<b>4,843</b>	(41,811)	-	-	-	-	<b>1,419</b>	(45,089)
Unrealised gain on fair value changes of investment properties	<b>3,041</b>	6,521	-	-	-	-	-	-	<b>3,041</b>	6,521
Unrealised gain/(loss) on fair value changes of vines	<b>6,861</b>	(29,813)	-	-	-	-	-	-	<b>6,861</b>	(29,813)
Reversal of revaluation deficit of property, plant and equipment	-	-	-	-	-	-	<b>33,873</b>	-	<b>33,873</b>	-
Net recovery of/(impairment of) intangible assets	<b>1,969</b>	(2,857)	-	-	-	-	-	-	<b>1,969</b>	(2,857)
Net recovery of/(impairment of) other receivables	-	-	<b>27,193</b>	(49,968)	-	-	-	-	<b>27,193</b>	(49,968)
Impairment of available-for-sale investments	-	-	-	-	<b>(2,229)</b>	(50,700)	-	-	<b>(2,229)</b>	(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.

	<b>Turnover</b>		<b>Non-current assets</b>	
	<b>(note i)</b>		<b>(note ii)</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Asia Pacific	<b>3,146,709</b>	2,796,441	<b>3,997,868</b>	3,273,066
North America	<b>1,817,626</b>	1,737,577	<b>3,014,168</b>	3,097,362
	<b>4,964,335</b>	4,534,018	<b>7,012,036</b>	6,370,428

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.

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

During the year ended 31 December 2013, 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 Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2013. 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.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Audit Committee of the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company's employees.

## **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 2013 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.

## **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

For administrative efficiency and housekeeping purposes, the Board has proposed to make certain amendments to the Company’s Articles of Association (1) to allow notices of Board meetings to be given to Directors by electronic communication; and (2) to permit electronic signatures on Directors’ written resolutions and to require all Directors (except those absent from Hong Kong or temporarily unable to act through ill-health or disability) to sign on such resolutions or signify their agreement to them. Further, to align with market practice, the Board proposes to amend the Article on rotation of Directors to require not less than one-third of Directors to retire at each annual general meeting of the Company and as permitted under the Cayman Islands laws, to give power to the Board to direct on distribution of dividend in specie (the “Proposed Amendments”).

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of special resolution at the 2014 Annual General Meeting. A circular containing, among other things, the Notice of Annual General Meeting which contains the full text of the Proposed Amendments will be despatched to the shareholders as soon as practicable.

## **ANNUAL GENERAL MEETING**

The 2014 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 15 May 2014 at 10:00 a.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 12 May 2014 to Thursday, 15 May 2014, 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 2014 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 9 May 2014.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 21 May 2014, 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. Wednesday, 21 May 2014.

*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).*