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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 2015**

For the year ended 31 December 2015, CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) reported a turnover of HK\$4.92 billion, a marginal decrease of 1% compared with last year. Profit attributable to shareholders was HK\$284.9 million, an 8% increase as compared to 2014.

The Board of Directors has recommended a final dividend of HK\$0.009 per share for the year ended 31 December 2015 (HK\$0.008 per share in 2014), a 13% increase over the previous year. The proposed dividend will be paid on Monday, 30 May 2016 following approval at the 2016 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 19 May 2016.

### **AGRICULTURE-RELATED BUSINESS**

CK Life Sciences' agriculture-related business recorded a turnover of HK\$2,098.8 million, a 5% decrease compared to last year. This result was impacted by a lower Australian dollar exchange rate against the Hong Kong dollar during the period under review. Had the results been recorded in local currencies, a growth of approximately 13% would have been reported.

In January 2015, CK Life Sciences further broadened its vineyard portfolio through the acquisition of three of McWilliam's vineyards in Australia. Total consideration for the acquisition was A\$15.7 million (approximately HK\$100 million). Like our other vineyard investments, these vineyards are backed by the security of long-term tenancy agreements, and are poised to provide an immediate and steady recurrent income for the Company.

In May 2015, Accensi Pty Ltd (“Accensi”), the leading toll manufacturer of crop protection products in Australasia, opened a new manufacturing facility in Victoria. With this new facility in the south, and the existing facilities in Queensland in the north and Western Australia in the west, Accensi's customer base has been widened, local transportation cost optimised, and customer service in the different regions enhanced.

Other operations reported steady progress and growth in 2015.

## **NUTRACEUTICAL BUSINESS**

During the year under review, CK Life Sciences' nutraceutical business reported a 3% increase in turnover, amounting to HK\$2,810.3 million. This result has been impacted by the weakening of the Australian dollar. Had the results been recorded in local currencies, a growth of approximately 11% would have been reported.

Businesses in the portfolio performed well during the year:

- In Canada, Santé Naturelle A.G. Ltée introduced new products and started implementing plans to upgrade packaging, storage and air handling capabilities at its manufacturing site. It reported encouraging growth and improvement in market position.
- In the United States, Vitaquest International Holdings LLC ("Vitaquest") responded to increased customer demand and began implementing plans to automate its powder and packaging operations, as well as to increase capacity to handle proprietary products. This improvement in manufacturing capability has enabled Vitaquest to capture a bigger share of the market and achieve satisfactory margin and profit improvement.
- In Australia, Lipa Pharmaceuticals Limited ("Lipa") has further moved to vertically integrate its materials sourcing business. During the year, it also benefited from increased customer demand in overseas markets, particularly China, reporting solid growth in sales and profit contribution. It also commenced its initiative to increase the capacity for the manufacturing of tablets and to expand the packaging capabilities. Lipa was also named by Complementary Medicines Australia in 2015 as the "Manufacturer of the Year" for the third time in the last four years.

## **PHARMACEUTICAL R&D**

CK Life Sciences' R&D initiatives continued to make steady progress in 2015. During the year, an expenditure of HK\$183.1 million of research funding was incurred to support these activities; the expenses of which were reflected in the Consolidated Income Statement for the year under review.

### *1. Polynoma LLC commenced the second part of Phase III US FDA-approved clinical trial*

Polynoma LLC has commenced the second part of the Phase III US FDA (United States Food and Drug Administration)-allowed clinical trial for the cancer vaccine which was developed for the treatment of melanoma. The first patient was dosed in January 2015, and approximately 200 patients have been enrolled to date in this part of the trial.

### *2. WEX Pharma's discussions with Health Canada on Phase III clinical trial data are in progress*

In regards to WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based cancer pain management product, advanced discussions with Health Canada on the Phase III clinical trial data are in progress.

3. *WEX Pharma commenced planning for TTX's Phase III clinical trial in the United States for the treatment of chemotherapy-induced neuropathic pain*

In the United States, subsequent to an End-of-Phase II clinical trial meeting with the FDA, the overall planning for TTX's Phase III clinical trial has begun.

## **PROSPECTS**

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

The recent acquisitions of the vineyards in the agriculture-related business have strengthened our investment portfolio and boosted our income flow.

The continued organic growth and stable performance of our existing businesses are poised to continue to strengthen our revenue stream.

On the R&D front, research activities have progressed well. Adequate funding will continue to be deployed to support our R&D projects.

Going forward, we will carry on leveraging our sound fundamentals to strengthen our investment portfolio and enhance our profitability. In addition, we will seek new opportunities to acquire assets that will further propel our growth.

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 14 March 2016

## **FINANCIAL REVIEW**

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

In 2015, the financial and liquidity position of the Group continued to be sound and healthy. It was financed 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 acquisition of the Group's overseas businesses as well as providing general working capital. As at 31 December 2015, the total borrowings from banks and major shareholders amounted to HK\$2,834.9 million and HK\$1,356.0 million, respectively. Most of these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, with or without the guarantees of, the Company. As at 31 December 2015, certain assets of the Group's overseas subsidiaries with carrying value of HK\$1,113.5 million were pledged as part of the security for bank borrowings totalling HK\$585.9 million. The total finance costs of the Group for the year were HK\$104.9 million.

At the end of 2015, the total assets of the Group were about HK\$9,596.1 million, of which bank balances and time deposits were about HK\$840.8 million and treasury investments were about HK\$223.1 million. The bank interest generated for the year was HK\$3.1 million. The total gain arising from the Group's investment segment for the year was HK\$45.0 million.

The total net assets of the Group as at 31 December 2015 were HK\$4,338.6 million, representing HK\$0.45 per share. The net debt to net total capital ratio of the Group as at 31 December 2015 was approximately 43.58%, 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**

There was no material acquisition/disposal of investments during the year under review.

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$183.1 million in 2015.

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

As of 31 December 2015, the total capital commitments by the Group amounted to HK\$60.6 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

## **Information on Employees**

The total number of full-time employees of the Group was 1,745 as at 31 December 2015, and is 70 more than the total headcount of 1,675 as at 31 December 2014. The total staff costs, including directors' emoluments, amounted to approximately HK\$929.9 million for the year under review, which represents an increase of 2% 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 2015 (2014: Nil).

**Consolidated Income Statement**  
**For the year ended 31 December 2015**

	Notes	<u>2015</u> <b>HK\$'000</b>	<u>2014</u> HK\$'000
Turnover	3	<b>4,919,309</b>	4,954,043
Cost of sales		<b>(3,177,462)</b>	(3,213,721)
		<b>1,741,847</b>	1,740,322
Other income, gains and losses	4	<b>20,857</b>	64,341
Staff costs	5	<b>(491,719)</b>	(497,986)
Depreciation		<b>(23,027)</b>	(22,782)
Amortisation of intangible assets		<b>(38,681)</b>	(44,271)
Other expenses		<b>(811,167)</b>	(864,850)
Finance costs	6	<b>(104,889)</b>	(109,566)
Share of results of associates and joint ventures		<b>48,221</b>	55,922
Profit before taxation		<b>341,442</b>	321,130
Taxation	7	<b>(72,778)</b>	(48,378)
Profit for the year		<b>268,664</b>	272,752
Attributable to:			
Shareholders of the Company		<b>284,912</b>	263,558
Non-controlling interests of subsidiaries		<b>(16,248)</b>	9,194
		<b>268,664</b>	272,752
Earnings per share	8		
- Basic		<b>2.96 cents</b>	2.74 cents
- Diluted		<b>2.96 cents</b>	2.74 cents

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2015**

	<u>2015</u>	<u>2014</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year	<u>268,664</u>	<u>272,752</u>
Other comprehensive (expenses)/income		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising from translation of foreign operations	(614,032)	(414,346)
(Loss)/gain on fair value changes of available-for-sale investments	(62,802)	25,300
Reclassification adjustment upon disposal of available-for-sale investments	<u>(24,236)</u>	<u>-</u>
Other comprehensive expenses for the year	<u>(701,070)</u>	<u>(389,046)</u>
Total comprehensive expenses for the year	<u>(432,406)</u>	<u>(116,294)</u>
Total comprehensive expenses attributable to:		
Shareholders of the Company	(394,224)	(110,860)
Non-controlling interests of subsidiaries	<u>(38,182)</u>	<u>(5,434)</u>
	<u>(432,406)</u>	<u>(116,294)</u>

**Consolidated Statement of Financial Position**  
**As at 31 December 2015**

	Notes	<u>2015</u> <b>HK\$'000</b>	<u>2014</u> <b>HK\$'000</b>
<b>Non-current assets</b>			
Investment properties		991,434	1,141,481
Vines		479,927	549,113
Property, plant and equipment		1,129,781	1,136,213
Intangible assets		3,535,281	3,785,560
Interests in joint ventures		303,174	336,159
Available-for-sale investments		194,723	314,815
Deferred taxation		43,297	33,767
		<u>6,677,617</u>	<u>7,297,108</u>
<b>Current assets</b>			
Investments at fair value through profit or loss		25,041	54,540
Derivative financial instruments		3,338	5,207
Tax recoverable		8,734	4,916
Inventories		923,382	971,149
Receivables and prepayments	10	1,117,273	985,230
Bank balances and deposits		840,751	979,200
		<u>2,918,519</u>	<u>3,000,242</u>
<b>Current liabilities</b>			
Payables and accruals	11	(910,958)	(946,291)
Derivative financial instruments		(2,707)	(4,479)
Bank borrowings		(1,431,864)	(128,629)
Finance lease obligations		(425)	(346)
Taxation		(98,617)	(62,737)
		<u>(2,444,571)</u>	<u>(1,142,482)</u>
<b>Net current assets</b>		<u>473,948</u>	<u>1,857,760</u>
<b>Total assets less current liabilities</b>		<u>7,151,565</u>	<u>9,154,868</u>

**Consolidated Statement of Financial Position (cont'd)**  
**As at 31 December 2015**

	<u>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
<b>Non-current liabilities</b>		
Bank borrowings	(1,403,000)	(2,871,858)
Finance lease obligations	(1,092)	(847)
Other borrowings	(1,356,000)	(1,356,000)
Deferred taxation	(52,889)	(51,194)
	<u>(2,812,981)</u>	<u>(4,279,899)</u>
<b>Total net assets</b>	<u><b>4,338,584</b></u>	<u>4,874,969</u>
<b>Capital and reserves</b>		
Share capital	961,107	961,107
Share premium and reserves	<u>3,217,488</u>	<u>3,701,541</u>
<b>Equity attributable to shareholders of the Company</b>	<b>4,178,595</b>	4,662,648
Non-controlling interests of subsidiaries	<u>159,989</u>	<u>212,321</u>
<b>Total equity</b>	<u><b>4,338,584</b></u>	<u>4,874,969</u>

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2015**

	Attributable to shareholders of the Company								Attributable to non-controlling interests of subsidiaries	Total	
	Share capital	Share premium	Investment revaluation reserve	Asset revaluation reserve	Translation reserve	Employee share-based compensation reserve	Other reserves	Retained earnings			Subtotal
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
At 1 January 2014	961,107	3,993,767	34,114	34,379	(390,892)	2,502	(182,045)	524,005	4,976,937	223,358	5,200,295
Profit for the year	-	-	-	-	-	-	-	263,558	263,558	9,194	272,752
Exchange differences arising from translation of foreign operations	-	-	-	-	(399,718)	-	-	-	(399,718)	(14,628)	(414,346)
Gain on fair value changes of available-for-sale investments	-	-	25,300	-	-	-	-	-	25,300	-	25,300
Total comprehensive income/ (expenses) income for the year	-	-	25,300	-	(399,718)	-	-	263,558	(110,860)	(5,434)	(116,294)
Addition in interests in subsidiaries	-	-	-	-	-	-	(136,879)	-	(136,879)	10,519	(126,360)
Capitalisation of loans from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	30,212	30,212
Disposal of a subsidiary classified as held for sale	-	-	-	-	728	-	-	-	728	(33,084)	(32,356)
Employees' share option lapsed	-	-	-	-	-	(2,502)	-	2,502	-	-	-
Dividends paid to the shareholders of the Company – 2013 final dividend HK\$0.007 per share	-	(67,278)	-	-	-	-	-	-	(67,278)	-	(67,278)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(13,250)	(13,250)
At 1 January 2015	<b>961,107</b>	<b>3,926,489</b>	<b>59,414</b>	<b>34,379</b>	<b>(789,882)</b>	<b>-</b>	<b>(318,924)</b>	<b>790,065</b>	<b>4,662,648</b>	<b>212,321</b>	<b>4,874,969</b>
Profit/(loss) for the year	-	-	-	-	-	-	-	284,912	284,912	(16,248)	268,664
Exchange differences arising from translation of foreign operations	-	-	-	-	(592,098)	-	-	-	(592,098)	(21,934)	(614,032)
Loss on fair value changes of available-for-sale investments	-	-	(62,802)	-	-	-	-	-	(62,802)	-	(62,802)
Reclassification adjustment upon disposal of available-for-sale investments	-	-	(24,236)	-	-	-	-	-	(24,236)	-	(24,236)
Total comprehensive (expenses)/ income for the year	-	-	(87,038)	-	(592,098)	-	-	284,912	(394,224)	(38,182)	(432,406)
Addition in interests in subsidiaries	-	-	-	-	-	-	(12,941)	-	(12,941)	7,866	(5,075)
Dividends paid to the shareholders of the Company – 2014 final dividend HK\$0.008 per share	-	(76,888)	-	-	-	-	-	-	(76,888)	-	(76,888)
Dividends distributed to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(22,016)	(22,016)
At 31 December 2015	<b>961,107</b>	<b>3,849,601</b>	<b>(27,624)</b>	<b>34,379</b>	<b>(1,381,980)</b>	<b>-</b>	<b>(331,865)</b>	<b>1,074,977</b>	<b>4,178,595</b>	<b>159,989</b>	<b>4,338,584</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 (“HKICPA”).

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)	Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version was issued in 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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.

HKFRS 15 Revenue from Contracts with Customers was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may affect amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plant continues to be accounted for in accordance with HKAS 41.

The Directors of the Company anticipate that the application of the amendments to HKAS 16 and HKAS 41 may affect the classification and measurement of the Group’s vines and may have an impact on amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of that affect until a detailed review has been completed.

Apart from those mentioned above, the Group is in the process of assessing the impact of the other new and revised HKFRSs, which are not yet effective, on the Group’s consolidated financial statements.

### 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>2015</u>	<u>2014</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Agriculture-related	<b>2,098,857</b>	2,216,803
Health	<b>2,810,296</b>	2,730,524
Investment	<b>10,156</b>	6,716
	<b><u>4,919,309</u></b>	<b><u>4,954,043</u></b>

#### 4. Other Income, Gains and Losses

	<u>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	3,064	6,997
Other interest income	386	658
Unrealised (loss)/gain on fair value changes of investment properties	(86,488)	91,765
Unrealised loss on fair value changes of vines	(6,715)	(91,174)
Net gain on available-for-sale investments	51,168	-
Net gain on investments at fair value through profit or loss		
- Investments held for trading	32,225	17,798
Net loss on derivative financial instruments	<u>(1,869)</u>	<u>(931)</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\$929.9 million (2014: HK\$908.2 million) of which HK\$438.2 million (2014: HK\$410.2 million) relating to direct labor costs were included in cost of sales.

#### 6. Finance Costs

	<u>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	77,277	82,311
Other borrowings	27,559	27,179
Finance leases	53	76
	<u>104,889</u>	<u>109,566</u>

#### 7. Taxation

	<u>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	-	-
Other jurisdictions	74,458	36,854
Under/(over) provision in prior years		
Hong Kong	-	-
Other jurisdictions	89	(806)
Deferred tax		
Hong Kong	-	-
Other jurisdictions	(1,769)	12,330
	<u>72,778</u>	<u>48,378</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>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
<b>Profit for the year attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<u>284,912</u>	<u>263,558</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>

Diluted earnings per share for the year ended 31 December 2015 and 31 December 2014 is the same as the basic earnings per share as there were no dilutive ordinary shares outstanding.

## 9. Dividends

A final dividend for the year ended 31 December 2015 of HK\$0.009 per share (2014: HK\$0.008 per share) with an aggregate amount of HK\$86,500,000 (2014: HK\$76,889,000) had been proposed by the directors. It is subject to approval by the shareholders in the forthcoming general meeting.

## 10. Receivables and Prepayments

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Trade receivables	991,898	868,804
Less: provision for impairment	<u>(30,532)</u>	<u>(27,864)</u>
	961,366	840,940
Other receivables, deposits and prepayments	<u>155,907</u>	<u>144,290</u>
	<u><u>1,117,273</u></u>	<u><u>985,230</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>2015</u> HK\$'000	<u>2014</u> HK\$'000
0 - 90 days	888,405	761,876
Over 90 days	<u>72,961</u>	<u>79,064</u>
	<u><u>961,366</u></u>	<u><u>840,940</u></u>

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

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Current	<u>733,259</u>	<u>396,988</u>
Less than 90 days past due	218,606	435,119
Over 90 days past due	<u>9,501</u>	<u>8,833</u>
	<u><u>228,107</u></u>	<u><u>443,952</u></u>
	<u><u>961,366</u></u>	<u><u>840,940</u></u>

## 11. Payables and Accruals

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Trade payables	305,904	341,545
Other payables and accrued charges	<u>605,054</u>	<u>604,746</u>
Financial liabilities measured at amortised cost	<u><u>910,958</u></u>	<u><u>946,291</u></u>

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

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
0 - 90 days	290,082	328,548
Over 90 days	<u>15,822</u>	<u>12,997</u>
	<u><u>305,904</u></u>	<u><u>341,545</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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<b>2,098,857</b>	2,216,803	<b>2,810,296</b>	2,730,524	<b>10,156</b>	6,716	-	-	<b>4,919,309</b>	4,954,043
Segment results	<b>242,673</b>	323,394	<b>440,593</b>	386,557	<b>45,043</b>	24,752	-	-	<b>728,309</b>	734,703
Research and development expenditure									<b>(183,125)</b>	(190,823)
Corporate expenses									<b>(98,853)</b>	(113,184)
Finance costs									<b>(104,889)</b>	(109,566)
Profit before taxation									<b>341,442</b>	321,130
Taxation									<b>(72,778)</b>	(48,378)
Profit for the year									<b>268,664</b>	272,752
Other information										
Amortisation of intangible assets	<b>(7,986)</b>	(9,781)	<b>(30,695)</b>	(34,490)	-	-	-	-	<b>(38,681)</b>	(44,271)
Depreciation	<b>(47,200)</b>	(48,069)	<b>(34,010)</b>	(36,604)	-	-	<b>(7,300)</b>	(7,359)	<b>(88,510)</b>	(92,032)
Net recovery of/(impairment of) trade receivables	<b>55</b>	872	<b>(6,655)</b>	(10,619)	-	-	-	-	<b>(6,600)</b>	(9,747)
Unrealised (loss)/gain on fair value changes of investment properties	<b>(86,488)</b>	91,765	-	-	-	-	-	-	<b>(86,488)</b>	91,765
Unrealised loss on fair value changes of vines	<b>(6,715)</b>	(91,174)	-	-	-	-	-	-	<b>(6,715)</b>	(91,174)
Net (impairment)/recovery of impairment of intangible assets	<b>(5,490)</b>	3,356	-	-	-	-	-	-	<b>(5,490)</b>	3,356
Net recovery of impairment of other receivables	-	-	-	18,481	-	-	-	-	-	18,481
Inventories written off	-	(10,528)	<b>(10,108)</b>	(6,284)	-	-	-	-	<b>(10,108)</b>	(16,812)
Gain on disposal of a subsidiary classified as held for sale	-	1,712	-	-	-	-	-	-	-	1,712
Loss on disposal of associates	-	(12,361)	-	-	-	-	-	-	-	(12,361)

**(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> (note i)		<b>Non-current assets</b> (note ii)	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Asia Pacific	<b>3,070,320</b>	3,064,216	<b>3,683,930</b>	4,054,642
North America	<b>1,838,833</b>	1,883,111	<b>2,755,667</b>	2,893,884
	<b>4,909,153</b>	4,947,327	<b>6,439,597</b>	6,948,526

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 2015, 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 2015. 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, a Non-executive Director did not attend the annual general meeting of the Company held on 15 May 2015 due to a sudden indisposition.

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, Mr. Kwan Kai Cheong (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 2015 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## **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 2016 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 13 May 2016 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, 10 May 2016 to Friday, 13 May 2016, 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 2016 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, 9 May 2016.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 19 May 2016, 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. Thursday, 19 May 2016.

*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, Mrs. Kwok Eva Lee (Independent Non-executive Director), Mr. Colin Stevens Russel (Independent Non-executive Director) and Mr. Kwan Kai Cheong (Independent Non-executive Director).*