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 2018

For the year ended 31 December 2018, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") reported profit attributable to shareholders of HK$263 million, an increase of about 2% as compared to that of 2017. Had the profit been reported in Australian dollars, on which around 70% of our businesses are based, the result would have been an increase of approximately 9% year on year.

The Board of Directors has recommended a final dividend of HK$0.01 per share for the year ended 31 December 2018 (2017: HK$0.01 per share), same as the previous year. The proposed dividend will be paid on Friday, 31 May 2019 following approval at the 2019 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 22 May 2019.

AGRICULTURE-RELATED BUSINESS

The agriculture-related business recorded good revenue growth of 12%.

The Company's vineyard portfolio recorded higher rental income as well as increases in the valuation of properties. Helped by decent growth in international demand for Australian wine, grape prices remained strong. Market sentiments for the wine industry were buoyant.

In December 2018, CK Life Sciences completed the acquisition of the Nangiloc Colignan Farms, one of the largest grape and citrus farms in Australia at an aggregate price of A$50 million (approximately HK$283 million). The acquisition is well positioned to deliver stable recurrent cashflows on the back of a long-term tenancy agreement.

Australian Agribusiness (Holdings) Pty Ltd comprises businesses in home gardening, pest management, professional turf, specialty agriculture and plant protection manufacturing. The business reported satisfactory sales despite persistent drought conditions in Australia. It successfully registered several new formulations which will stand us in good stead when weather conditions improve.

Cheetham Salt Limited ("Cheetham") recorded satisfactory growth during the year under review. 2018 marked the first full year of profit contribution from the completion of an asset swap in 2017 which involved an acquisition of the remaining 50% share of the salt field operations in New Zealand that the Company did not own and a disposal of shares in the salt company's retail and distribution operations. It also made headway in opening new export markets.

NUTRACEUTICAL BUSINESS

Revenue generated from the nutraceutical business segment was an increase of 11% from that of last year.

Lipa Pharmaceuticals Limited ("Lipa"), one of Australia's largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements, recorded improved sales performance in 2018. Lipa's production volume rose as its customers' export sales to China increased, generating satisfactory income for the Company.

Vitaquest International Holdings LLC ("Vitaquest"), an industry-leading development and commercialisation partner for the nutraceutical and functional food markets in the United States, experienced strong growth in sales as it capitalised on increased market demand for powder products by installing more effective and efficient equipment.

In Canada, Santé Naturelle A.G. Ltée, one of the largest and longest established natural health companies in Québec, maintained its position in the domestic retail market despite strong competition and continued to progress development of new export markets.

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

CK Life Sciences' pharmaceutical operations in Hong Kong, Canada and the United States of America are focused on conducting Research & Development in the areas of oncology and pain management.

1) Polynoma LLC

   Our wholly-owned US subsidiary, Polynoma LLC ("Polynoma"), is developing a proprietary polyvalent therapeutic cancer vaccine (seviprotimut-L) for melanoma. Seviprotimut-L is intended for the adjuvant treatment of patients with early stages (Stages IIb, IIc & III) of melanoma after their cancer has been surgically resected. The ongoing Phase III clinical trial has progressed well, with approximately 350 enrolled patients being monitored for recurrence, and is on schedule for an interim analysis soon. Preparations for the interim analysis have already commenced.

   Seviprotimut-L is comprised of a combination of multiple melanoma-associated antigens and works by triggering the body's immune system to develop antibodies and antigen-specific T lymphocytes against melanoma cells, thereby delaying recurrence and extending survival in patients. In clinical trials to date, seviprotimut-L has been found to have few adverse effects. With the advent of cancer immunotherapy in recent years, the global market of melanoma already exceeds US$1 billion and is projected to continue exponential growth over the next 5 years. Seviprotimut-L presents a potential new form of cancer immunotherapy for melanoma, much safer than the currently-approved options.

2) WEX Pharmaceuticals Inc.

   Despite many pain management options being available to patients, uncontrolled chronic pain remains a major unmet medical need globally. WEX Pharmaceuticals Inc. ("WEX Pharma"), our wholly-owned Canadian subsidiary, is developing an analgesic based on the puffer fish toxin, tetrodotoxin. WEX Pharma's product, Halneuron^{TM}, acts by blocking $Na_V1.7$ voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain.

WEX Pharma has made significant headway in its discussion with the USFDA to allow the start of a Phase III clinical trial of Halneuron^{TM} for chemotherapy-induced neuropathic pain ("CINP"). GMP (Good Manufacturing Practice)-compliant manufacturing of Halneuron^{TM} is progressing well, and preparations are underway for the Phase III clinical trial to begin as soon as practicable after the FDA confirms acceptance of our Special Protocol Assessment (SPA) proposal. An SPA agreement facilitates discussions with the FDA on product registration, by reducing uncertainty regarding the acceptability of the proposed clinical study design and analytical methods.

There is currently no specific FDA-approved medication for CINP; doctors often prescribe analgesics, including opioids, which have significant adverse effects and may not be efficacious. Once demonstrated effective for CINP, Halneuron^{TM} can be developed for other more common types of chronic pain and other methods of application can also be explored. Market potential for such pain management solutions is significant.

Our in-house scientists in the Hong Kong head office conduct non-clinical R&D to support the activities at Polynoma and WEX Pharma, and are also actively engaged in evaluating new healthcare opportunities.

PROSPECTS

In 2019, the global macro-environment is expected to be faced with a number of challenges. We do not anticipate the businesses of CK Life Sciences to be materially affected. In view of the Company's diverse commercial operations and steady progress of our pharmaceutical R&D, we are cautiously optimistic about CK Life Sciences' prospects.

As we continue to pursue strategically beneficial acquisitions and bolster our performance through organic growth, we are uniquely positioned to tap into the abundant capital resources and vast operating experience of the CK Group, enabling the Company to take full advantage of synergistic business opportunities with the rest of the Group.

We will also continue to support R&D projects to facilitate the process of solution-driven research that leads to the development and commercialisation of ground-breaking products that address underserved market needs.

As always, I would like to thank our shareholders, Board of Directors and staff for their continued support.

Victor T K Li
Chairman

Hong Kong, 19 March 2019

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2018, 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 Group's bank and other borrowings were mainly for the acquisition of the Group's overseas businesses as well as providing general working capital. As at 31 December 2018, the bank and other borrowings amounted to HK $4,816.2 million. All 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 2018, certain assets of the Group's overseas subsidiaries with carrying value of HK$870.5 million were pledged as part of the security for bank borrowings totalling HK$324.2 million. The total finance costs of the Group for the year were HK$129.7 million.

At the end of 2018, the total assets of the Group were about HK$10,438.5 million, of which bank balances and time deposits were about HK$773.4 million and treasury investments were about HK$141.2 million. The bank interest generated for the year was HK$10.5 million.

The total net assets of the Group as at 31 December 2018 were HK$4,419.8 million, representing HK$0.46 per share. The net debt to net total capital ratio of the Group as at 31 December 2018 was approximately 47.78%, 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 monitors its overall net debt position closely, reviews its funding costs and maturity profile regularly and takes necessary actions to facilitate refinancing whenever appropriate.

Material Acquisitions/Disposals and Significant Investments

In December 2018, the Group completed a vineyard acquisition of Nangiloc Colignan Farms in Australia with a consideration of approximately HK$283.0 million. 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 15 November 2018.

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$151.8 million in 2018.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2018, the total capital commitments by the Group amounted to HK$47.0 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 1,785 as at 31 December 2018 (2017: 1,688). The total staff costs, including directors' emoluments, amounted to approximately HK$1,012.3 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 2018 (2017: Nil).

Consolidated Income Statement
For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	HK$'000
Revenue	3	**5,232,992**	4,693,133
Cost of sales		**(3,498,628)**	(3,149,322)
		1,734,364	1,543,811
Other income, gains and losses	4	**198,225**	218,360
Staff costs	5	**(524,742)**	(507,319)
Depreciation		**(53,159)**	(61,068)
Amortisation of intangible assets		**(6,704)**	(18,275)
Other expenses		**(798,555)**	(805,502)
Finance costs	6	**(129,674)**	(94,227)
Share of results of joint ventures		**1,471**	54,213
Profit before taxation		**421,226**	329,993
Taxation	7	**(120,537)**	(49,448)
Profit for the year		**300,689**	280,545
Attributable to:			
Shareholders of the Company		**263,001**	258,402
Non-controlling interests of subsidiaries		**37,688**	22,143
		300,689	280,545
Earnings per share	8		
- Basic		**2.74 cents**	2.69 cents
- Diluted		**2.74 cents**	2.69 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**300,689**	280,545
Other comprehensive (expenses)/income		
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	**(909)**	-
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	**(87,258)**	(45,919)
	(88,167)	(45,919)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(348,451)**	266,966
Other comprehensive (expenses)/income for the year	**(436,618)**	221,047
Total comprehensive (expenses)/income for the year	**(135,929)**	501,592
Attributable to:		
Shareholders of the Company	**(162,473)**	474,363
Non-controlling interests of subsidiaries	**26,544**	27,229
	(135,929)	501,592

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	**2018**	2017
		HK$'000	HK$'000
Non-current assets			
Investment properties		**1,522,092**	1,318,972
Property, plant and equipment		**1,900,640**	1,958,017
Intangible assets		**3,592,236**	3,588,711
Interests in a joint venture		**6,978**	8,944
Equity investments		**129,644**	216,902
Deferred taxation		**29,734**	40,160
		7,181,324	7,131,706
Current assets			
Equity investments		**11,585**	16,358
Tax recoverable		**10,404**	56,172
Inventories		**1,227,181**	1,066,929
Receivables and prepayments	10	**1,234,583**	1,274,727
Bank balances and deposits		**773,374**	1,037,772
		3,257,127	3,451,958
Current liabilities			
Payables and accruals	11	**(916,197)**	(1,003,561)
Bank borrowings		**(924,000)**	(93,135)
Finance lease obligations		**(303)**	(295)
Other borrowings		**-**	(1,100,000)
Taxation		**(107,589)**	(64,938)
		(1,948,089)	(2,261,929)
Net current assets		**1,309,038**	1,190,029
Total assets less current liabilities		**8,490,362**	8,321,735

Consolidated Statement of Financial Position (cont'd)
As at 31 December 2018

	2018	2017
	HK$'000	HK$'000
Non-current liabilities		
Bank borrowings	**(2,792,249)**	(3,402,073)
Finance lease obligations	**(344)**	(666)
Other borrowings	**(1,100,000)**	-
Deferred taxation	**(171,583)**	(162,291)
Retirement benefit obligations	**(6,343)**	-
	(4,070,519)	(3,565,030)
Total net assets	**4,419,843**	4,756,705
Capital and reserves		
Share capital	**961,107**	961,107
Share premium and reserves	**3,302,801**	3,655,936
Equity attributable to shareholders of the Company	**4,263,908**	4,617,043
Non-controlling interests of subsidiaries	**155,935**	139,662
Total equity	**4,419,843**	4,756,705

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Attributable to shareholders of the Company									
	Share capital	Share premium	Investment revaluation reserve	Investment at fair value through other comprehensive income reserve	Translation reserve	Other reserves	Retained earnings	Sub-total	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
As at 1 January 2017	961,107	3,763,101	(32,526)	-	(1,324,351)	(338,628)	1,232,549	4,261,252	141,790	4,403,042
Transitional adjustments on the initial application of HKFRS 9	-	-	32,526	40,474	-	-	10,000	83,000	-	83,000
Adjusted as at 1 January 2017	961,107	3,763,101	-	40,474	(1,324,351)	(338,628)	1,242,549	4,344,252	141,790	4,486,042
Profit for the year	-	-	-	-	-	-	258,402	258,402	22,143	280,545
Exchange differences arising from translation of foreign operations	-	-	-	-	261,880	-	-	261,880	5,086	266,966
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	-	-	-	(45,919)	-	-	-	(45,919)	-	(45,919)
Total comprehensive (expenses)/income for the year	-	-	-	(45,919)	261,880	-	258,402	474,363	27,229	501,592
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(105,461)	-	(105,461)	(14,186)	(119,647)
Dividends paid to the shareholders of the Company – 2016 final dividend HK$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
Dividends distributed to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(15,171)	(15,171)
As at 1 January 2018	**961,107**	**3,666,990**	**-**	**(5,445)**	**(1,062,471)**	**(444,089)**	**1,500,951**	**4,617,043**	**139,662**	**4,756,705**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**263,001**	**263,001**	**37,688**	**300,689**
Exchange differences arising from translation of foreign operations	**-**	**-**	**-**	**-**	**(337,307)**	**-**	**-**	**(337,307)**	**(11,144)**	**(348,451)**
Actuarial loss of defined benefit retirement plan	**-**	**-**	**-**	**-**	**-**	**-**	**(909)**	**(909)**	**-**	**(909)**
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	**-**	**-**	**-**	**(87,258)**	**-**	**-**	**-**	**(87,258)**	**-**	**(87,258)**
Total comprehensive (expenses)/income for the year	**-**	**-**	**-**	**(87,258)**	**(337,307)**	**-**	**262,092**	**(162,473)**	**26,544**	**(135,929)**
Acquisition of additional interests in a subsidiary	**-**	**-**	**-**	**-**	**-**	**(94,551)**	**-**	**(94,551)**	**284**	**(94,267)**
Dividends paid to the shareholders of the Company – 2017 final dividend HK$0.01 per share	**-**	**(96,111)**	**-**	**-**	**-**	**-**	**-**	**(96,111)**	**-**	**(96,111)**
Dividends distributed to non-controlling interests of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,555)**	**(10,555)**
As at 31 December 2018	**961,107**	**3,570,879**	**-**	**(92,703)**	**(1,399,778)**	**(538,640)**	**1,763,043**	**4,263,908**	**155,935**	**4,419,843**

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 Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and an interpretation (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective in the current year. Of these, HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and related amendments is relevant to the Group's consolidated financial statements. In addition, the Group early adopted HKFRS 9 (2014) Financial Instruments ("HKFRS 9") with the date of initial application on 1 January 2017. Details of background and impact of early adoption of HKFRS 9 for the financial year ended 31 December 2017 were disclosed in note 2 of the financial statements for the year ended 31 December 2017.

Except as described below, the adoption of other new HKFRSs has no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 15 "Revenue from Contracts with Customers" and related amendments

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has elected to adopt HKFRS 15 using the modified retrospective approach, with the cumulative effect of initially applying this standard recognised at the date of initial application. Furthermore, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to those contracts that are not completed as at 1 January 2018. Accordingly, the information presented for 2017 has not been restated.

The Group mainly engages in the businesses of sales of health and agriculture-related products, which the revenue from sales of goods is recognised at a point in time when control of the goods is transferred to the customer, generally upon delivery of the goods. The Group also invests in a portfolio of investment properties for earning stable rental income under operating leases. HKFRS 15 does not apply to the leasing arrangement which are under the scope of HKAS 17 Leases.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Payables and accruals" in the consolidated statement of financial position. The amount was HK$11,369,000 as at 1 January 2018.

Except for resulting in more disclosures, the directors of the Company consider the adoption of HKFRS 15 did not have a material impact on the timing and amount of revenue recognition reported in these consolidated financial statements.

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

HKFRS 16	Leases [1]
HKFRS 17	Insurance Contracts [3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKFRS 3	Definition of a Business [4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to HKAS 1 and HKAS 8	Definition of Material [5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle [1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has certain minimum lease charge payables. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease, which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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

3. Revenue

Revenue 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:

	2018	2017
	HK$'000	HK$'000
Sales of goods:		
Agriculture-related	**2,149,353**	1,906,401
Health	**2,938,803**	2,642,809
Revenue from contracts with customers	**5,088,156**	4,549,210
Rental income (included in agriculture-related segment)	**144,470**	142,079
Investment income	**366**	1,844
	5,232,992	4,693,133

Upon the adoption of HKFRS 15 in the current year, revenue from contracts with customers regarding to the sales of goods is generally recognised at a point in time when the control of the goods underlying the particular performance obligation is transferred to the customers.

4. Other Income, Gains and Losses

	2018	2017
	HK$'000	HK$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	**10,468**	6,776
Other interest income	**1,317**	545
Gain on disposal of joint ventures	**-**	3,631
Gain on remeasurement of previously held interest in a joint venture	**-**	5,178
Net unrealised gain on fair value changes of investment properties	**167,591**	181,013
Fair value loss on investments mandatorily measured at fair value through profit or loss - Investments held for trading	**(4,773)**	(1,729)
Loss on derivative financial instruments	**-**	(1,470)

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$1,012.3 million (2017: HK$970.9 million) of which HK$487.5 million (2017: HK$463.6 million) relating to direct labor costs were included in cost of sales.

6. Finance Costs

	2018	2017
	HK$'000	HK$'000
Interest on:		
Bank borrowings	**103,390**	74,717
Other borrowings	**26,236**	19,485
Finance leases	**48**	25
	129,674	94,227

7. Taxation

	2018	2017
	HK$'000	HK$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	**-**	-
Other jurisdictions	**73,727**	10,100
Under/(over) provision in prior years		
Hong Kong	**-**	-
Other jurisdictions	**18,953**	(386)
Deferred tax		
Hong Kong	**-**	-
Other jurisdictions	**27,857**	39,734
	120,537	49,448

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 shareholders of the Company are based on the following data:

	2018	2017
	HK$'000	HK$'000
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**263,001**	258,402
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	**9,611,073,000**	9,611,073,000

Diluted earnings per share for the years ended 31 December 2018 and 31 December 2017 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

9. Dividends

A final dividend for the year ended 31 December 2018 of HK$0.01 per share (2017: HK$0.01 per share) with an aggregate amount of HK$96,111,000 (2017: HK$96,111,000) had been proposed by the Directors. It is subject to approval by the shareholders in the forthcoming general meeting.

10. Receivables and Prepayments

	2018	2017
	HK$'000	HK$'000
Trade receivables related to:		
- Sales of goods	**1,049,017**	1,072,400
- Operating leases	**6,325**	2,693
	1,055,342	1,075,093
Less: provision for impairment	**(11,264)**	(13,034)
	1,044,078	1,062,059
Other receivables, deposits and prepayments	**190,505**	212,668
	1,234,583	1,274,727

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$1,037,753,000 and HK$1,059,366,000 respectively.

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.

	2018	2017
	HK$'000	HK$'000
0 - 90 days	**973,234**	993,059
Over 90 days	**70,844**	69,000
	1,044,078	1,062,059

11. Payables and Accruals

	2018	2017
	HK$'000	HK$'000
Trade payables	**358,831**	407,197
Other payables and accrued charges	**557,366**	596,364
	916,197	1,003,561

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

	2018	2017
	HK$'000	HK$'000
0 - 90 days	**346,805**	396,184
Over 90 days	**12,026**	11,013
	358,831	407,197

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		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**2,293,823**	2,048,480	**2,938,803**	2,642,809	**366**	1,844	**5,232,992**	4,693,133
Segment results	**437,514**	317,016	**356,838**	356,850	**-**	-	**794,352**	673,866
Unallocated other income, gains or losses							**(18,992)**	2,071
Research and development expenditure							**(151,835)**	(174,283)
Corporate expenses							**(72,625)**	(77,434)
Finance costs							**(129,674)**	(94,227)
Profit before taxation							**421,226**	329,993
Taxation							**(120,537)**	(49,448)
Profit for the year							**300,689**	280,545
Other information								
Interest income	**1,238**	1,055	**1,341**	788	**9,206**	5,478	**11,785**	7,321
Amortisation of intangible assets	**(6,308)**	(8,510)	**(396)**	(9,765)	**-**	-	**(6,704)**	(18,275)
Depreciation	**(86,690)**	(80,452)	**(37,477)**	(38,213)	**(7,422)**	(7,907)	**(131,589)**	(126,572)
Net reversal of written off/(written off) of inventories	**18,000**	(8,000)	**(3,335)**	4,320	**-**	-	**14,665**	(3,680)
Net (impairment)/ reversal of impairment of trade receivables	**(979)**	(462)	**1,386**	2,655	**-**	-	**407**	2,193
Gain on disposal of investment properties	**5,934**	-	**-**	-	**-**	-	**5,934**	-
Gain/(loss) on disposal of property, plant and equipment	**653**	2,547	**-**	1,500	**(27)**	-	**626**	4,047
Net unrealised gain on fair value changes of investment properties	**167,591**	181,013	**-**	-	**-**	-	**167,591**	181,013
Net (impairment)/ reversal of impairment of property, plant and equipment	**(14,676)**	(58,152)	**-**	23,352	**-**	-	**(14,676)**	(34,800)
Reversal of impairment of intangible assets	**2,489**	3,733	**-**	-	**-**	-	**2,489**	3,733

Following the Group's strategy to focus on the core businesses in the agriculture-related and health segments, the proportion of profit generated by and amount invested in treasury investments have both reduced continually in past few years in order to channel more resources into various global operations of the Group. During the year ended 31 December 2018, the Group's investment segment was no longer considered as an operating segment by management and, accordingly, segment information for the year ended 31 December 2017 was re-presented.

(b) Geographical information

Revenue 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.

	Revenue (note i)		Non-current assets (note ii)	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia Pacific	**3,180,317**	2,851,000	**4,218,887**	4,073,227
North America	**2,052,309**	1,840,289	**2,803,059**	2,801,417
	5,232,626	4,691,289	**7,021,946**	6,874,644

Notes :

i. Revenue 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 2018, 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.

The Company had applied the principles and complied with all code provisions (except as stated below) 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 2018. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company did not have a nomination committee during the year 2018. During the year, the full Board was 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 had a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole was also responsible for reviewing the succession plan for the Directors, in particular the positions of Chairman and 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 ("Audit Committee") 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 the 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, risk management and internal control systems; 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 2018 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. Victor T K Li, and two Independent Non-executive Directors, namely, Mrs. Kwok Eva Lee (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.

NOMINATION COMMITTEE

The Company established its nomination committee ("Nomination Committee") on 1 January 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of the Nomination Committee.

ANNUAL GENERAL MEETING

The 2019 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 Thursday, 16 May 2019 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 Friday, 10 May 2019 to Thursday, 16 May 2019, 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 2019 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 Thursday, 9 May 2019.

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, 22 May 2019, 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, 22 May 2019.

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. Toh Kean Meng, Melvin; 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).