



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)

Agriculture-related



ENHANCING EVERYDAY LIVING

Annual Report 2020



Pharmaceutical

Nutraceutical



ABOUT CK LIFE SCIENCES

CK Life Sciences Int'l., (Holdings) Inc. is listed on The Stock Exchange of Hong Kong Limited. Bearing the mission of improving the quality of life, CK Life Sciences is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in products and assets which fall into three core categories – nutraceuticals, pharmaceuticals and agriculture-related. CK Life Sciences is a member of the CK Hutchison Group.



Contents

2	Chairman's Statement
6	Business Review
	Agriculture-related Business
	Nutraceutical Business
	Pharmaceutical Research
24	Long Term Development Strategy
25	Financial Summary
26	Financial Review
28	Directors and Key Personnel
36	Report of the Directors
48	Independent Auditor's Report
54	Consolidated Income Statement
55	Consolidated Statement of Comprehensive Income
56	Consolidated Statement of Financial Position
58	Consolidated Statement of Changes in Equity
59	Consolidated Statement of Cash Flows
61	Notes to the Consolidated Financial Statements
121	Principal Subsidiaries
125	Principal Joint Venture
126	Schedule of Major Investment Properties
127	Corporate Governance Report
163	Risk Factors
170	Corporate Information and Key Dates



Chairman's Statement



For the year ended 31 December 2020, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") reported profit attributable to shareholders of HK\$125 million, a decrease of about 31% as compared to that of 2019 mainly due to the impact caused by COVID-19. While the pandemic affected all facets of our business, some of our diverse portfolio of assets withstood the impact better than others. Nevertheless, all subsidiaries took timely action to streamline operations, adapt to new operating conditions and improve efficiency. As a result, our fundamentals remain strong.

The Board of Directors has recommended a final dividend of HK\$0.01 per share for the year ended 31 December 2020 (2019: HK\$0.01 per share). The proposed dividend will be paid on Monday, 31 May 2021 following approval at the 2021 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 20 May 2021.

Nutraceutical Business

CK Life Sciences' nutraceutical business comprises (i) Vitaquest International Holdings LLC ("Vitaquest") in the United States; (ii) Santé Naturelle A.G. Ltée ("SNAG") in Canada; as well as (iii) Lipa Pharmaceuticals Limited ("Lipa") in Australia.

In 2020, COVID-19 infections in the countries where our nutraceutical business is concentrated were high, and lockdown measures of various levels of severity were in place throughout the year. Since our operations are involved in the physical manufacturing and delivery of products, working from home was not practical. Although our line of business was considered "essential" and allowed to continue operating, the infections and associated lockdown measures not only reduced and disrupted the availability of labour and timeliness of attendance, but also upended the secure supply and pricing of raw materials globally. Profit generated from this segment decreased 56% as compared with 2019.

Vitaquest is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets. COVID-19 infections in the state of New Jersey, United States, where Vitaquest has its main facilities, were higher than in many other states. A proportion of Vitaquest's staff contracted COVID-19, but effective human resources strategies prevented an outbreak on the premises and helped avoid a shutdown. With the state imposing a "Stay at Home" order between mid-March and early June, many members of staff were unable to report for duty, significantly curtailing output at one point. A focus on margin and cost control enabled us to achieve reasonable financial performance under the circumstances. We also

took the opportunity to restructure the organisation and implement improvements which could facilitate post-pandemic growth, including the commissioning of a new production facility, installation of new machines and implementation of software to streamline and promote customer relationship management.

SNAG is one of the largest and longest established natural health companies in Québec, Canada. Unfortunately, the province recorded a higher number of confirmed COVID-19 cases than the rest of Canada and implemented lockdown measures, including curfews, which reduced access to retail stores. Although our retail pharmacy customers remained open, reduced foot traffic through the stores impacted sales. Nevertheless, our ability to maintain the supply of immunity-related products strengthened our position with customers. We expedited online sales development and devised plans for market penetration into other parts of Canada and other regions of North America. We also continued the launch of new products, an important source of future growth.

Lipa is one of the largest contract manufacturers of complementary healthcare medicines, vitamins and nutritional supplements in Australia. Limited availability of international freight, higher shipping charges and congestion at ports in New South Wales exacerbated disruptions to the supply of raw materials and drove up their cost. Shrinkage in sales of retailers, and therefore high trade stock, translated into slower manufacturing orders for Lipa during the year, at one point necessitating a four-day week operation to control costs in the face of lower volume. Despite COVID-19 pressure, Lipa is successful in securing new supply relationships with brands leveraging the demand for high quality Australian made products across Asia and the Middle East. In addition, investments were made for new equipment which will deliver efficiencies, and management implemented cost saving and capacity optimisation measures. Lipa won the "2020 High Quality Manufacturer of the Year" award presented by the Complementary Medicines Australia.

Agriculture-related Business

The agriculture-related business consists of three main streams – (i) Australian Agribusiness (Holdings) Pty Ltd ("Australian Agribusiness"); (ii) Cheetham Salt Group ("Cheetham"); and (iii) a vineyard portfolio.

Although the same disruptions affecting the nutraceutical business also challenged the Company's agriculture-related business, the impact was mitigated by more favourable climatic conditions after three years of drought, and performance improvement of the vineyard portfolio. Profit generated from this segment increased 21% versus 2019.

Chairman's Statement (Cont'd)

Australian Agribusiness comprises businesses in the manufacturing, wholesale and retail of agriculture-related products. Although COVID-19 disrupted global supply chains across the industry, overall volume of plant protection products rose on the back of improved climatic conditions bringing relief from the prolonged and severe droughts of the previous three years. In addition, it focused on expanding, streamlining and consolidating capability across its four manufacturing plants strategically located in key growing areas and on improvements to meet the high standards of multinational customers. The Home Garden business grew sales as consumers invested in home improvements during lockdown restrictions, but COVID-19 severely disrupted the Professional Turf and Pest Management businesses. Nevertheless, we maintained leadership positions in many of the markets in which we operate.

Performance of the Company's vineyard portfolio strengthened during the period under review. The fact that all the properties are rented on long-term leases to leading wine companies or growers protected the steady income stream against the disruptions of COVID-19. During the year, the Company acquired two more vineyards in South Australia, bringing the total size of our vineyard and agricultural portfolio in Australia and New Zealand to almost 8,000 hectares. We also upgraded irrigation works in select properties. Contribution from vineyards acquired in 2019 and early 2020 and annual rent increases enabled the portfolio to report satisfactory financial results. Market sentiments for the wine industry remained positive as wine consumption increased during lockdown, providing support to stronger valuations.

Cheetham, Australasia's leading producer of value-added salt products, reported stable earnings. During the year, Cheetham successfully modified its business operations to focus on the protection of the safety and wellbeing of employees as well as the satisfaction of customer needs. In addition to maintaining uninterrupted salt supply to customers, Cheetham also embarked on a programme to reduce and contain long-term operating costs to ensure availability of capital for maintenance of its unique infrastructure.

Pharmaceutical Research and Development

CK Life Sciences' pharmaceutical operations, spanning Hong Kong, Canada and the United States, conduct research into and development of cancer vaccines and pain management products.

In accordance with our accounting policy, continuous investment in these R&D projects is recognised as an expense in the period in which it is incurred.

Cancer Vaccines R&D

The Company is engaged in the research and development of cancer vaccines which stimulate the immune system to fight cancer. The US subsidiary, Polynoma LLC ("Polynoma"), is developing seviprotimut-L, a proprietary polyvalent therapeutic cancer vaccine for the treatment of melanoma. Although COVID-19 had a limited impact on our cancer vaccine research and development activities in 2020, the worldwide scramble for manufacturing capacity for COVID-19 vaccines has made it difficult to accelerate production of clinical trial material.

In 2020, the Company reached two significant milestones in its melanoma vaccine research:

(i) Data Presentation at ASCO Conference

In May 2020, we presented data from the MAVIS (Melanoma Antigen Vaccine Immunotherapy Study) clinical trial of seviprotimut-L at the American Society of Clinical Oncology (ASCO)'s ASCO20 Virtual Scientific Program. Subgroup analysis suggested enhanced recurrence-free survival (RFS) for seviprotimut-L among patients with resected Stage IIB/IIC melanoma, especially those under the age of 60. Seviprotimut-L was well-tolerated with treatment-emergent adverse events (AEs) similar to patients given placebo.

(ii) Fast Track Designation Granted

In the second quarter, the US Food and Drug Administration (US FDA) granted seviprotimut-L Fast Track designation for the adjuvant treatment of post-resection Stage IIB/IIC melanoma patients to improve recurrence-free survival. Fast Track is designed to facilitate the development and expedite the review of drugs that treat serious or life-threatening conditions, as well as fill an unmet medical need. Benefits of Fast Track designation include more frequent communication with the US FDA, a rolling submission of the marketing application and eligibility for Priority Review and Accelerated Approval, if the relevant criteria are met.

Subsequent to these events, Polynoma has started engaging with the US FDA to discuss and agree on the design of the pivotal efficacy assessment trial and the regulatory path forward.

Apart from seviprotimut-L for melanoma, the Company is working on cancer vaccines targeting multiple types of cancers and aims to advance promising vaccines into clinical testing in the coming years.

Pain Management R&D

WEX Pharmaceuticals Inc. (“WEX Pharma”), the Company’s Canadian subsidiary, is developing Halneuron™, an analgesic based on the puffer fish toxin, tetrodotoxin. Halneuron™ acts by blocking Na_v1.7 voltage-gated sodium channels and is potentially a first-in-class drug for the treatment of pain. The product is being researched as a pain management solution that can be used to address many different types of pain. As uncontrolled chronic pain is a major unmet medical need globally, the market potential for new pain management solutions is significant.

As an initial indication, WEX Pharma is targeting Halneuron™ to be a treatment for chemotherapy-induced neuropathic pain (“CINP”). There is currently no specific US FDA-approved medication for CINP. Doctors often prescribe analgesics, including opioids, which have significant adverse effects and may not be efficacious. The US FDA has greenlighted the start of a Phase III clinical trial of Halneuron™ for CINP under a Special Protocol Assessment (“SPA”) agreement. The SPA agreement facilitates discussions with the US FDA on product registration by reducing uncertainty regarding the acceptability of the proposed clinical study design and analytical methods. Health Canada has also approved the commencement of the Phase III clinical trial. The Company aims to commence this clinical trial at the appropriate time, recognising the need for prioritisation of spending among the various R&D projects and challenges in recruiting patients during the COVID-19 pandemic.

Sustainability and Response to COVID-19

A board-level Sustainability Committee was set up in 2020 to assist the board of directors in overseeing the Company’s sustainability strategy. CK Life Sciences will issue its first standalone Sustainability Report in April 2021 to provide more comprehensive disclosure on its sustainability practices.

In response to the COVID-19 pandemic, CK Life Sciences implemented a series of operational reinforcement measures to protect our employees. Hygiene and cleaning procedures were intensified in line with sanitary authorities’ guidelines. We established work-from-home arrangement for employees who were able to perform their duties remotely and arranged physical segregation of teams. Board and board committee meetings were conducted through digital communication facilities, and shareholders were encouraged to participate in the Company’s 2020 annual general meeting via webcast. We also provided financial support to our staff in need and launched mental health care programs to ensure their wellbeing.

Prospects

The unprecedented COVID-19 global pandemic adversely affected the Company’s full-year results in 2020, as the Company’s operations, the nutraceutical business in particular, are located in areas with high rates of infection. Nonetheless, effective measures to prevent wholesale shutdown of facilities, initiatives to improve efficiencies and efforts to open new markets will strengthen the Company’s business fundamentals. The overall outlook remains promising.

CK Life Sciences is cautiously optimistic that the macro business environment and operating conditions will gradually improve when mass vaccination programmes take root in various countries. While we expect the Company’s agriculture-related businesses to continue generating stable income, performance of the Company’s nutraceutical business should improve with the easing of restrictions on people and cargo flow.

Progress made by Polynoma on the pharmaceutical R&D front is encouraging. The granted US FDA Fast Track designation for seviprotimut-L not only expedites the research process but also further validates seviprotimut-L as a new and potentially important cancer vaccine for localised melanoma. We are committed to bringing the R&D initiatives to fruition and are regularly reviewing deployment of appropriate funds to support them. Earnings from the Company’s diversified portfolio of businesses provide a solid platform for the advancement of pharmaceutical research activities.

I would like to thank our shareholders and the Board of Directors for their continued support and contribution. I would also take this opportunity to express my appreciation to our staff members and frontline employees for their commitment to maintaining operations amidst the difficulties brought about by the pandemic. Having experienced and overcome last year’s difficulties, I am confident that CK Life Sciences will emerge stronger than before. Amidst these extraordinary times, we have built upon our strengths and solidified our business foundation. As the market situation returns to normal, CK Life Sciences is well-positioned to resume growth.

Victor T K Li

Chairman

Hong Kong, 16 March 2021

Business Review

AGRICULTURE-RELATED BUSINESS





Business Review (Cont'd)

CK Life Sciences owns around 7,880 hectares of vineyards and other agricultural properties in Australia and New Zealand.



Vineyards

CK Life Sciences owns around 7,880 hectares of vineyards and other agricultural properties in Australia and New Zealand. All of them are on long-term leases with wine companies or growers, generating steady and secure cash flow.

In February 2020, CK Life Sciences purchased Jubilee Park Vineyard in the Riverland of South Australia, the largest Australian growing region by area. Jubilee Park Vineyard has a total area of about 287 hectares and has developed a good mix of red and white grape varieties. The property was purchased for A\$9.55 million (approximately HK\$56.6 million) with a further A\$8.75 million (approximately HK\$51.8 million) paid for 1,203 megalitres of irrigation water.

In November 2020, CK Life Sciences acquired the Katnook vineyards, water entitlements and winery buildings for a purchase price of A\$11.8 million (approximately HK\$70 million). Covering an area of 195 hectares in the premium South Australian wine growing region of Coonawarra, the holding is predominantly developed to the highly sought-after Cabernet Sauvignon and Shiraz varieties. A 15-year tenancy agreement has been signed with Accolade Wines, the acquirer of the business and winery plant as well as the equipment assets.



During the year, irrigation upgrade works were undertaken on the Dalmeny and Bussorah Vineyards located in the Padthaway region of South Australia.

In addition to achieving higher rental income, the Company's vineyard portfolio also recorded increases in the valuation of properties as a result of strong grape prices supported by low levels of wine in tanks. Market sentiments for the wine industry remained positive.

The Australian and New Zealand wine industries were largely unaffected by the COVID-19 global pandemic in part because of an increase in consumption. It was predicted in 2019 that 2020 wine consumption by volume would fall slightly, which in turn would be offset by an increase in per bottle price. However, as a result of the pandemic, consumption by volume increased in 2020 as people drank more while remaining at home.



In 2020, CK Life Sciences purchased Jubilee Park Vineyard, and the Katnook vineyards in South Australia.

Australian Agribusiness

In 2020, Accensi's focus was on expanding and consolidating capability to meet the demands of multinational customers, as well as site and cost optimisation while continuing its commitment to Health, Safety, Environment and Quality.



Australian Agribusiness (Holdings) Pty Ltd (“Australian Agribusiness”) is a holding company whose business operations in Australia include manufacturing, wholesale and retail. It operates four plant protection and specialty nutrition manufacturing facilities and a number of warehouses and retail outlets.

Manufacturing

Through its subsidiary Accensi Pty Ltd (“Accensi”), Australian Agribusiness is Australia's largest independent manufacturer of plant protection products, providing toll formulation, regulatory, global procurement, storage and handling, laboratory and product development services for both domestic and multinational agrichemical companies.

Its manufacturing facilities are strategically located close to the three primary crop production areas in Australia, enabling national coverage and access to key markets.

Improved climatic conditions brought relief from the prolonged and severe droughts of the previous three years across Australia. As a result, overall production volume and consumption of plant protection products increased in Australia. COVID-19 disrupted global supply chains across the industry. Nevertheless, Accensi's manufacturing volume and revenue derived some benefits from improved market conditions. In 2020, Accensi's focus was on expanding and consolidating capability to meet the demands of multinational customers, as well as site and cost optimisation while continuing its commitment to Health, Safety, Environment and Quality (HSEQ).

Sales and Distribution

In addition to manufacturing, Australian Agribusiness is also a diversified sales and distribution business operating five separate businesses across four market segments; they span professional turf, pest management, home garden and specialty agriculture industries in Australia. The business maintains leadership positions in many of the markets in which it operates.

While improved climatic conditions in 2020 brought relief to the previous year's wide-reaching drought, the disruption brought on by COVID-19 was significant, particularly within the professional turf and pest management businesses. On the other hand, the home garden business enjoyed the benefits of the home lockdown restrictions, as consumers put some investments in home improvement initiatives.

To counter the impact of COVID-19, Australian Agribusiness continued its focus on customers and sales, implementing a number of profit improvement initiatives and efficiency enhancement schemes across all areas.



Sales and distribution businesses of Australian Agribusiness span professional turf, pest management, home garden and specialty agriculture industries in Australia.



Cheetham Salt Group

In 2013, CK Life Sciences expanded into the salt industry through the acquisition of Cheetham Salt Group (“Cheetham”). Four years later, Cheetham acquired the remaining shares in its long-standing New Zealand joint venture, Dominion Salt Limited, and integrated these assets into the group.

Cheetham now comprises Cheetham Salt Limited in Australia, Dominion Salt Limited in New Zealand and Cheetham Garam Indonesia. Cheetham is the largest producer of value-added salt products in Australasia, and enjoys a leading market share position in its three domestic markets. It also serves vibrant and growing export markets, supplying premium food grade salt and very high purity pharmaceutical salt that meets pharmacopoeia standards.

Cheetham operates salt fields on approximately 9,300 hectares of freehold and leasehold land, with the ability to produce approximately 900,000 tonnes of crude salt per annum. In all three markets, Cheetham has factories capable of converting 700,000 tonnes of this crude salt into value added products for a broad range of industries. These include industrial, food manufacturing and retail, pharmaceutical, stockfeed, hide and swimming pool markets.

During 2020, Cheetham had to significantly modify its business operations in response to the threat presented by COVID-19. Our Purpose and Values shaped the response which was focused on achieving two main goals: protecting the health and wellbeing of our people, and ensuring we continued to satisfy our customers’ needs. Cheetham is entrusted to supply the world’s most essential mineral to our diverse customer base, who in turn manufacture a broad range of essential products for the community. There is no substitute for salt in our customers manufacturing process, so ensuring uninterrupted supply is essential to avoid significant disruption to the broader community.



Cheetham supplies premium food grade salt and very high purity pharmaceutical salt that meets pharmacopoeia standards.



Cheetham proved to be a resilient business during the global COVID-19 pandemic.

While COVID-19 was a dominant presence throughout the year, Cheetham maintained uninterrupted product supply to customers and demonstrated its resilience with 2020 earnings in line with the prior year. In addition, it embarked on a programme to reduce and contain long-term operating costs to make more capital available for the maintenance of its unique infrastructure.

Despite lower volumes, the Australian business delivered a good result with favourable pricing and product mix, continued export growth and good cost control. In New Zealand, softer demand in the agricultural sector was broadly offset by favourable pricing and product mix.

Cheetham's Indonesian business had a challenging year as the industry experienced supply interruption that impacted operations and profitability. COVID-19 also affected its economy significantly, resulting in reduced demand for salt and falling pricing. Despite these challenges, earnings in Indonesia in 2020 were higher than the previous year.

Cheetham proved to be a resilient business during the global COVID-19 pandemic. The defensive characteristics of the product, combined with its industry and geographical diversification resulted in stable earnings during a volatile period.

Business Review

NUTRACEUTICAL BUSINESS





Business Review (Cont'd)



SNAG offers a suite of over 160 products under the brand, *Adrien Gagnon*.



Santé Naturelle A.G.

Founded in 1946 by renowned naturopathy expert Mr. Adrien Gagnon, Santé Naturelle A.G. Ltée (“SNAG”) is one of the largest and most reputable natural health companies in Québec, Canada. Offering a suite of over 160 products under the brand, *Adrien Gagnon* is synonymous with exceptional quality and innovation and has repeatedly set the bar in Québec for its superior health products in terms of value, selection and brand recognition.

The COVID-19 pandemic has had a significant impact on our business in 2020. From an operational perspective, SNAG experienced a number of infections among our employees which forced us to close our production

facility for several days at a time. This had a negative impact on our production capacity to keep pace with demand. At the same time, there was a significant drop in sales at store level and a number of orders from our distributors were cancelled when many local governments significantly reduced access to retail stores and implemented curfews.

One positive impact of the pandemic was the development of a new relationship with a significant retailer in Canada. Given that some existing vendors were not able to supply certain immunity products, SNAG stepped in and helped fulfill the supply in short notice.

During the year, the company introduced new products that positively resonated with the existing consumer base. TendoFlex™, SNAG's latest innovation with unique claims within the growing joint care category was well received in the market. Continued innovation has also enabled the company to drive some new business within the core categories of Sleep & Stress, Immunity as well as Energy.

To offset the challenges in traditional retail market, SNAG made new leadership appointments to boost its e-commerce business, drove new marketing initiatives as well as accelerated the acquisition and use of actionable data.

In operations, SNAG invested in new production equipment and leveraged enterprise resource planning (ERP) technology to increase production capabilities, reduce costs and speed up delivery for our products.

2020 was unquestionably a challenging year with significant hurdles but SNAG remains confident about medium- to long-term prospects operating in an industry that is predicted to continue to grow worldwide.



SNAG has repeatedly set the bar in Québec for its superior health products in terms of value, selection and brand recognition.

Business Review (Cont'd)

Vitaquest

Vitaquest International Holdings LLC (“Vitaquest”) is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets. It offers a broad array of customised solutions ranging from concept and formulation to delivery system design and finished product manufacturing. A comprehensive and unequivocal commitment to quality serves as the foundational hallmark of the company, promoting a culture of growth and innovation through the years. It is a highly respected and trusted leader in the nutraceutical industry.

During the past year, Vitaquest faced unprecedented adversity as a result of the global COVID-19 pandemic. In consultation with local health officials as well as national guidance provided by the Centers for Disease Control and Prevention, Vitaquest took an aggressive approach to the situation early on by mandating mask wearing in all facilities, staggering shifts to reduce number of employees on site, implementing work-from-home schedules for applicable employees and launching a comprehensive employee wellness programme that included the use of newly installed thermal cameras to screen all individuals prior to admittance to any facility.

COVID-19 also severely disrupted the global supply chain of raw materials, with some being in short supply owing to the lack of shipping capacity and others available at inflated prices.

Despite the short-term issues surrounding the pandemic, Vitaquest was able to realise several accomplishments that set it up for continued growth in the medium to long-term. These accomplishments included the installation of high-speed and less labour-intensive manufacturing equipment to accommodate the demands of the diverse and growing customer base. In addition, Vitaquest also implemented several digitisation initiatives to streamline and promote customer relationship management, enabling better communication with customers.

2020 also saw the completion and start-up of a new facility in Parsippany, New Jersey, featuring state-of-the-art temperature control and production suites equipped with highly efficient air filtration systems. The expansive warehouse which is compliant with the latest food safety standards will also allow for greater focus on quality.

2020 saw the completion and start-up of Vitaquest’s new facility in Parsippany, New Jersey, featuring state-of-the-art temperature control and production suites equipped with highly efficient air filtration systems.





Lipa won the “2020 High Quality Manufacturer of the Year” award presented by the Complementary Medicines Australia.



Lipa

Lipa Pharmaceuticals Limited (“Lipa”) is one of Australia’s largest contract manufacturers of complementary healthcare medicines, vitamins and nutritional supplements. It also manufactures a range of non-sterile prescription and over-the-counter medicines.

Lipa’s customers include many well recognised Australian brands of nutritional supplements for sale in Australia, New Zealand, China and a number of other select Asian markets.

COVID-19 has had a significant impact on business performance in 2020. In addition to disruption in raw materials supply and hence driving up their costs, COVID-related travel bans and restrictions exacerbated the decline of supplement product purchasing for China. The drop in retail sales and resultant buildup of trade stock translated into lower manufacturing orders for Lipa, forcing it at one point to adopt a 4-day week work schedule to save costs.

Lipa took advantage of reduced manufacturing activity to focus more on developing innovative solutions for customers to regain consumer interest in the sector, and supporting their effort to build further direct distribution into China and other Asian markets to offset soft domestic sales.

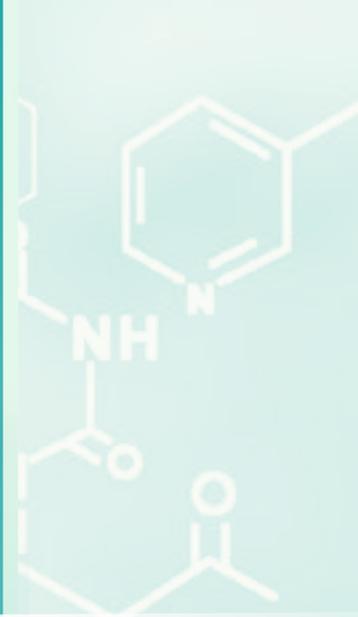
Lipa is also successfully broadening its customer base by securing new supply relationships with brands leveraging the demand for high quality Australian made products across Asia and the Middle East.

During the year, it undertook other operational initiatives which will position the business for a strong post-COVID-19 recovery. These include investment in new manufacturing equipment which will deliver efficiencies and additional capacity, implementing recommendations of a supply chain review undertaken by a third-party consultant and deployment of technology tools to improve planning. Lipa won the “2020 High Quality Manufacturer of the Year” award presented by the Complementary Medicines Australia.



Business Review

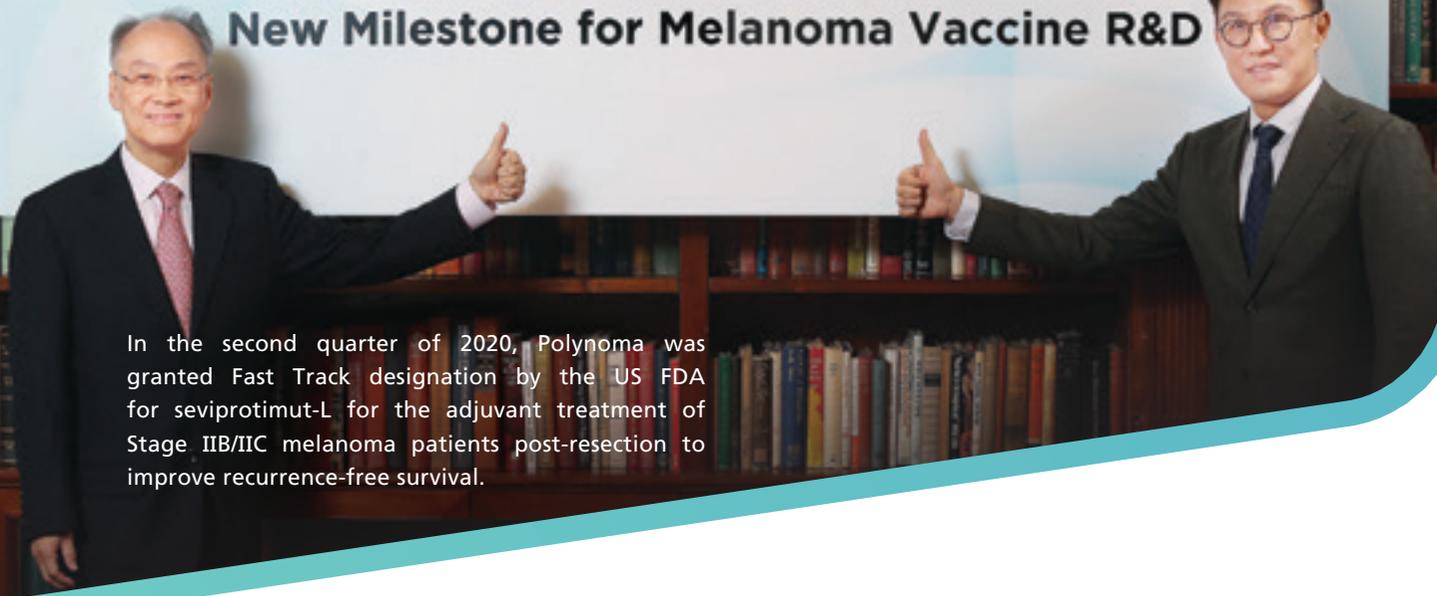
PHARMACEUTICAL RESEARCH





CK Life Sciences Int'l. (Holdings) Inc.
長江生命科技集團有限公司

黑色素瘤疫苗研發新里程 New Milestone for Melanoma Vaccine R&D



In the second quarter of 2020, Polynoma was granted Fast Track designation by the US FDA for seviprotimut-L for the adjuvant treatment of Stage IIB/IIC melanoma patients post-resection to improve recurrence-free survival.

CK Life Sciences' research and development is focused primarily on cancer and conditions arising from the treatment of cancer. Polynoma reported results of data analyses from its Phase III clinical trial of its melanoma vaccine. WEX Pharma continued planning for a Phase III clinical trial of Halneuron™ in North America for chemotherapy-induced neuropathic pain.

Polynoma

Polynoma LLC ("Polynoma") is an oncology-focused, San Diego (USA)-based subsidiary of CK Life Sciences which is currently developing a therapeutic vaccine for the adjuvant treatment of melanoma. Melanoma remains an unmet medical need, as currently-approved therapies have significant toxicity. There are currently no vaccines approved for the adjuvant treatment of melanoma.

Using a combination of antigens from three proprietary melanoma cell lines, Polynoma's vaccine (seviprotimut-L) is intended to stimulate the body's immune system to develop antigen-specific killer T-cells and antibodies to

fight this form of skin cancer. In the MAVIS (Melanoma Antigen Vaccine Immunotherapy Study) Phase III clinical trial, seviprotimut-L is being tested for the adjuvant treatment of patients with Stage II and Stage III melanoma, to delay recurrence after the melanoma has been resected.

In 2020, two significant milestones in the melanoma vaccine research were achieved:

(i) Data Presentation at ASCO Conference

Data from the MAVIS clinical trial of seviprotimut-L were presented at the American Society of Clinical Oncology (ASCO)'s ASCO20 Virtual Scientific Program in May 2020. Subgroup analysis suggested enhanced recurrence-free survival (RFS) for seviprotimut-L among patients with resected Stage IIB/IIC melanoma, especially those under the age of 60. Hazard Ratio for RFS in the Stage IIB/IIC subgroup was 0.65 (95% Confidence Interval: 0.37, 1.17), suggesting a 35% reduction in risk of recurrence or death for patients treated with seviprotimut-L, compared to patients treated with placebo. The effect on RFS was greatest for Stage IIB/IIC patients under

the age of 60 (Hazard Ratio = 0.32 (95% Confidence Interval: 0.12, 0.86)), suggesting a 68% reduction in risk of recurrence or death with seviprotimut-L, compared to placebo. Seviprotimut-L was well-tolerated with treatment-emergent adverse events (AEs) similar to patients given placebo.

(ii) Fast Track Designation Granted

In the second quarter, Polynoma was granted Fast Track designation by the US Food and Drug Administration (US FDA) for seviprotimut-L for the adjuvant treatment of Stage IIB/IIC melanoma patients post-resection to improve recurrence-free survival. Fast Track is designed to facilitate the development and expedite the review of drugs that treat serious or life-threatening conditions as well as fill an unmet medical need. Benefits of Fast Track designation include more frequent communication with the US FDA, a rolling submission of the marketing application, and eligibility for Priority Review and Accelerated Approval, if the relevant criteria are met.

During the year, Polynoma has also started engaging with the US FDA to discuss and agree on the design of the pivotal efficacy assessment trial and the regulatory path forward.

Apart from Polynoma's research on seviprotimut-L for melanoma, the Company is working on cancer vaccines targeting multiple types of cancers and aims to progress these into clinical testing in the coming years.

WEX Pharmaceuticals

WEX Pharmaceuticals Inc. ("WEX Pharma") is a Vancouver (Canada)-based subsidiary of CK Life Sciences focused on developing innovative drug products to treat pain. WEX Pharma's lead product, Halneuron™, is based on tetrodotoxin ("TTX"), a naturally-occurring sodium channel blocking compound found primarily in puffer fish. Halneuron™ is being developed to provide relief for various chronic pain conditions, including uncontrolled moderate or severe pain in patients with cancer. Prospects for novel pain management solutions are significant.

A Phase III clinical trial in the United States and Canada of Halneuron™ for the treatment of chemotherapy-induced neuropathic pain ("CINP") is in the planning stage. CINP is an unmet medical need, with currently-available pain therapies not providing adequate relief in many patients. The US FDA has allowed the start of WEX Pharma's clinical trial of Halneuron™ for CINP under a Special Protocol Assessment (SPA) agreement. An SPA agreement facilitates discussions with the US FDA on product registration, by reducing uncertainty regarding the acceptability of the proposed clinical study design and analytical methods. Health Canada has also confirmed no objection to the clinical trial commencing.

Since clinical trial research activities in Canada and United States have been disrupted by the COVID-19 pandemic, WEX Pharma aims to commence its clinical trial of Halneuron™ at the appropriate time when operational conditions are more feasible. In the meantime, WEX Pharma continues to engage in value-added R&D on TTX, including efforts to manufacture TTX using semisynthetic methods, developing new formulations of TTX with enhanced stability, as well as exploring novel pain biomarkers.



WEX Pharma focuses on developing innovative drug products to treat pain.

Long Term Development Strategy

CK Life Sciences is an international life sciences company dedicated to enhancing the quality of life through improving human health and the environment in which we live.

The Company's business currently involves the research and development, manufacturing, commercialisation, marketing, sale of, and investment in products and assets which fall into three core categories – nutraceuticals, pharmaceuticals and agriculture-related.

To maximise the potential of its businesses, CK Life Sciences will continue to pursue its three-pronged strategy for on-going development:

1. Facilitate Organic Growth

To nurture organic growth from its existing portfolio, CK Life Sciences strives to increase its operating efficiencies, and broaden its sales as well as manufacturing capabilities. The Company also endeavours to extend its product range, penetrate further into its existing and new markets, and expand its geographical coverage to enhance its pace of expansion.

2. Continue Acquisition Efforts

Based upon a solid financial foundation, CK Life Sciences will continue to seek new investment opportunities around the world. The Company targets quality mature businesses that offer stable income, immediate returns, and recurring cashflow. In considering potential acquisitions, projects that offer synergies with existing operations are given high priority.

3. Intensify Pace of Research and Commercialisation of Products

CK Life Sciences will aggressively accelerate the pace of development and commercialisation of its pharmaceutical products to bring more effective health solutions to the community.



Financial Summary

	Year ended 31 December				
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Consolidated results summary					
Revenue	4,868,540	4,693,133	5,232,992	4,967,024	4,942,544
Profit attributable to shareholders of the Company	252,960	258,402	263,001	181,735	125,234
	As at 31 December				
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Consolidated statement of financial position summary					
Non-current assets	6,605,421	7,131,706	7,181,324	7,668,343	8,685,997
Current assets	2,880,951	3,451,958	3,257,127	3,046,248	3,291,672
Current liabilities	(4,097,012)	(2,261,929)	(1,948,089)	(3,575,440)	(915,573)
Non-current liabilities	(986,318)	(3,565,030)	(4,070,519)	(2,964,401)	(6,343,637)
Total net assets	4,403,042	4,756,705	4,419,843	4,174,750	4,718,459
Equity attributable to shareholders of the Company	4,261,252	4,617,043	4,263,908	4,177,484	4,721,199
Non-controlling interests of subsidiaries	141,790	139,662	155,935	(2,734)	(2,740)
Total equity	4,403,042	4,756,705	4,419,843	4,174,750	4,718,459

Financial Review

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2020, 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 2020, the bank and other borrowings amounted to HK\$5,602.9 million. All these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, with the guarantees of, the Company. As at 31 December 2020, certain assets of the Group's overseas subsidiaries with carrying value of HK\$1,081.9 million were pledged as part of the security for bank borrowings totalling HK\$342.9 million. The total interest expenses on bank and other borrowings of the Group for the year were HK\$107.8 million.

At the end of 2020, the total assets of the Group were about HK\$11,977.7 million, of which bank balances and time deposits were about HK\$959.0 million and treasury investments were about HK\$12.7 million. The bank interest income generated for the year was HK\$1.1 million.

The total net assets of the Group as at 31 December 2020 were HK\$4,718.5 million, representing HK\$0.49 per share. The net debt to net total capital ratio of the Group as at 31 December 2020 was approximately 49.60%, 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 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

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

The Group has always been investing significantly in research and development activities. Total research and development expenditure incurred in 2020 amounted to about HK\$149.8 million.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2020, the total capital commitments by the Group amounted to HK\$63.2 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 1,809 as at 31 December 2020 (2019: 1,829). The total staff costs, including directors' emoluments, amounted to approximately HK\$1,019.9 million for the year under review, which represents a decrease of 3% 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 2020 (2019: Nil).

Directors and Key Personnel

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 56, has been the Chairman of the Company since 2002. Mr. Li has been the Chairman of the Executive Committee of the Company since February 2021 and has been a member of the Remuneration Committee of the Company since March 2005. Mr. Li has been a member of the Nomination Committee of the Company since January 2019 and acted as the Chairman of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited, and the Chairman and Managing Director and the Chairman of the Executive Committee of CK Asset Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited, a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, and a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He was previously a Director and the Co-Chairman of Husky Energy Inc., which was delisted on 5 January 2021 following its combination with Cenovus Energy Inc. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.). Mr. Li is the elder son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, the President of the Company. Mr. Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 74, is the President of the Company. Mr. Kam had been the President and Chief Executive Officer of the Company since June 2002 and was re-designated as the President of the Company since September 2020. Mr. Kam has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Kam is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

IP Tak Chuen, Edmond, aged 68, is the Senior Vice President and Chief Investment Officer of the Company. He has been the Chairman of the Sustainability Committee of the Company since December 2020 and has been an Executive Committee Member of the Company since February 2021. Mr. Ip was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Ip joined the CK Group in 1993 and the Group in December 1999. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

Directors and Key Personnel (Cont'd)

YU Ying Choi, Alan Abel, aged 65, is the Vice President and Chief Executive Officer of the Company. Mr. Yu had been the Vice President and Chief Operating Officer of the Company since June 2002 and was promoted to the Vice President and Chief Executive Officer of the Company since September 2020. He has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. He holds a Bachelor of Arts degree and a Master's degree in Business Administration and is a fellow member of The Hong Kong Institute of Directors. Mr. Yu has held a number of positions in the consumer finance, food and fast-moving consumer goods sectors in Asia and Australasia. Prior to joining the Group in 2000, he was Worldwide Vice President in a leading US diversified healthcare multinational corporation.

TOH Kean Meng, Melvin, aged 54, is the Vice President and Chief Scientific Officer of the Company. He has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. Dr. Toh joined the Group in January 2008 and was previously Vice President, Pharmaceutical Development, of the Company. He holds Bachelor of Medicine and Bachelor of Surgery degrees from the National University of Singapore and a Master of Science degree in Epidemiology from the University of London. He is registered with the Singapore Medical Council and the General Medical Council, United Kingdom. Dr. Toh has over 28 years of experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the United States. Prior to joining the Group, Dr. Toh was Director of Clinical Pharmacology in Oncology Development, directing a team of scientists working on the clinical development of new cancer drugs for a leading pharmaceutical firm in the United States.

TULLOCH, Peter Peace, aged 77, has been a Non-executive Director of the Company since April 2002. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Tulloch serves as the Chairman and Non-executive Director of each of Victoria Power Networks Pty Ltd, SA Power Networks and Australian Gas Networks Limited. He is also Chairman and a Non-executive Director of both Powercor Australia Limited and CitiPower Pty Ltd. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia.

KWOK Eva Lee, aged 79, has been an Independent Non-executive Director of the Company since June 2002. She has been a member of the Remuneration Committee of the Company since January 2005 and the Chairperson of the Remuneration Committee of the Company since January 2012. She acted as a member of the Audit Committee of the Company from June 2002 to June 2019 and a member of the Nomination Committee of the Company from January 2019 to November 2020. Mrs. Kwok currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as a Director for Cenovus Energy Inc. ("Cenovus Energy") and Husky Energy Inc. ("Husky Energy") which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mrs. Kwok currently serves as an Independent Non-executive Director and the Chairperson of the Nomination Committee of CK Infrastructure Holdings Limited, and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She also sits on the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee of Cenovus Energy, and the Audit Committee of Husky Energy. Except for Amara, Husky Energy and LKS Canada Foundation, all the companies mentioned above are listed companies. She is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Compensation Committee and Corporate Governance Committee of Husky Energy, the Audit Committee of CK Infrastructure Holdings Limited, the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.

Directors and Key Personnel (Cont'd)

RUSSEL, Colin Stevens, aged 80, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He was a member of the Audit Committee of the Company from January 2005 to July 2020 and a member of the Nomination Committee of the Company from January 2019 to November 2020. He is also an Independent Non-executive Director of CK Asset Holdings Limited and CK Infrastructure Holdings Limited, both listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. Mr. Russel is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. He was previously an Independent Non-executive Director of Husky Energy Inc., which was delisted on 5 January 2021 following its combination with Cenovus Energy Inc. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in Electronics Engineering and his Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

KWAN Kai Cheong, aged 71, has been an Independent Non-executive Director of the Company since March 2015 and the Chairman of the Audit Committee of the Company since May 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Kwan is Chairman of the Board of GT Land Holdings Limited, a commercial property company in China and Managing Director of Morrison & Company Limited, a business consultancy firm. He worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is also an Independent Non-executive Director of HK Electric Investments Limited, HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited ("HSAM") as the manager of Sunlight Real Estate Investment Trust, Beijing Energy International Holding Co., Ltd. (formerly known as Panda Green Energy Group Limited) and Win Hanverky Holdings Limited and a Non-executive Director of China Properties Group Limited. Mr. Kwan is also a Director of The Hongkong Electric Company, Limited ("HK Electric"). Except for HKEIM, HSAM and HK Electric, all the companies/investment trust mentioned above are listed in Hong Kong. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Directors and Key Personnel (Cont'd)

TIGHE, Paul Joseph, aged 64, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2019 and a member of the Sustainability Committee of the Company since December 2020. He has been a member of the Nomination Committee of the Company since June 2019 and acted as the Chairman of the Nomination Committee of the Company since December 2020. Mr. Tighe is an independent Non-executive Director of CK Hutchison Holdings Limited and CK Infrastructure Holdings Limited, both listed companies. He is a former career diplomat with Australia's Department of Foreign Affairs and Trade. He has around 37 years of experience in government and public policy, including 28 years as a diplomat. He has served as Australian Consul-General to Hong Kong and Macau (from 2011 to 2016), Australian Ambassador to Greece, Bulgaria and Albania (from 2005 to 2008), Deputy Head of Mission and Permanent Representative to the United Nations' Economic and Social Commission for Asia and the Pacific at the Australian Embassy in Bangkok (from 1998 to 2001) and as Counsellor in the Australian Delegation to the Organisation for Economic Co-operation and Development in Paris (from 1991 to 1995). In between overseas assignments, Mr. Tighe has held several positions at the headquarters of the Department of Foreign Affairs and Trade in Canberra, including as head of the Department's Trade and Economic Policy Division, head of the Diplomatic Security, Information Management and Services Division, head of the Agriculture and Resources Branch and Director of the International Economic Analysis Section. Before joining the Department of Foreign Affairs and Trade, Mr. Tighe worked in the Overseas Economic Relations Division of the Australian Treasury (from 1986 to 1988), in the Secretariat of the Organisation for Economic Co-operation and Development in Paris (from 1984 to 1986) and in the Australian Industries Assistance Commission (from 1980 to 1984). He holds a Bachelor of Science degree from the University of New South Wales. Mr. Tighe is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO and a director of a company controlled by a substantial shareholder of the Company.

ROBERTS, Donald Jeffrey, aged 69, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company since July 2020. He is an Independent Non-executive Director of CK Asset Holdings Limited (listed in Hong Kong); an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong; and an Independent Non-executive Director of Queen's Road Capital Investment Ltd. (listed in Canada). He is also a Director of The Hongkong Electric Company, Limited, and an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of SFO. He joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts was a Member of the Listing Committee of the Main Board and GEM of The Stock Exchange of Hong Kong Limited from July 2015 to July 2020. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012, and also a member on its Finance & Administration Committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for 9 years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Directors and Key Personnel (Cont'd)

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

HONG KONG

HA Fu Lam, Ricky, aged 56, is Business Development Director of the Company. Mr. Ha holds a Master of Science degree in Electronic Commerce and Internet Computing, a Master of Business Administration degree, and a Bachelor of Social Sciences degree. He is a Fellow of The Association of Chartered Certified Accountants. Mr. Ha began his career in business planning and analysis in the energy and precious metal sectors. In the decade before joining the Company in May 2019, he held senior supply chain, procurement and finance roles in US multinational chemical and agrichemical corporations.

HO Wai Man, Bonita, aged 55, Business Development Director, has been with the Company since February 2004. She holds a Master of Business Administration degree, and a Bachelor of Commerce degree in Accounting. She is also a Chartered Financial Analyst of the CFA Institute. Ms. Ho had previously worked in a number of multinational corporations before joining the Company and has over 25 years of experience in corporate finance in both Hong Kong and Canada.

HON King Sang, Dennis, aged 66, is Legal Counsel of the Company and has been with the Company since June 2002. He holds a Master of Laws degree, and a Master of Science degree in Electronic Commerce and Internet Computing. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and a non-practising solicitor of the Senior Courts of England and Wales. He has over 35 years of legal experience and has held a number of senior positions in various major corporations.

LEE Mai Kuen, Jane, aged 61, is Chief Manager, Human Resources & Administration, of the Company. She joined the Company in March 2002 and has been with the CK Group since December 1995. Ms. Lee holds a Master of Science degree in Training and Human Resource Management, and has over 35 years of experience in human resource management, which includes her previous tenure in several multinational research-based pharmaceutical firms.

LI Guo, Stephen, aged 45, Preclinical Development Director. He holds a Doctor of Philosophy degree in Genetics, and is a certified toxicologist of the Chinese Society of Toxicology. Dr. Li has over 12 years of experience in preclinical drug development, working in both pharmaceutical companies and contract research organisations. Prior to joining the Company in January 2021, he was Senior Director at a leading global contract research organisation and had led a team of scientists providing bioanalytical services for global biopharma clients.

KO Yuen Man Winnie, aged 49, is General Manager, Vital Care Hong Kong Limited. She holds a Bachelor of Arts degree in Hotel & Catering Management. Ms. Ko is a seasoned sales and marketing professional in health-related consumer products. She has had experience in retail management as well as brand marketing, having worked for both multinational and local corporations in the healthcare industry in a variety of roles. Prior to joining the Company in May 2020, she was Head of Business Development & Marketing for a leading US-based retailer and marketer of health products.

MO Yiu Leung, Jerry, aged 61, is Chief Financial Officer, and is responsible for all finance and IT functions of the Company. He has been an Executive Committee Member of the Company since February 2021. Mr. Mo holds a Bachelor of Science degree in Accounting and Data Processing. He is also a Fellow of The Institute of Chartered Accountants in England and Wales, and an Associate of The Institute of Chartered Accountants in Australia and New Zealand, as well as The Hong Kong Institute of Certified Public Accountants. Mr. Mo has over 35 years of experience in financial management, accounting and auditing in the manufacturing sector. Prior to joining the Company in October 2005, he had held a number of senior management positions in major corporations in Australia, the UK and Hong Kong, which included work in a "big four" accounting firm.

Directors and Key Personnel (Cont'd)

TAM, Oi Lan, Irelan, aged 56, Performance Insights Director, joined the Company in September 2015. Ms. Tam holds a Doctor of Business Administration degree, and Master of Science degrees in Management and Information Systems. She is a Chartered Global Management Accountant, a fellow member of both The Chartered Institute of Management Accountants, UK, and the Hong Kong Institute of Certified Public Accountants. She is a Certified Manager of Quality/Organisational Excellence, Certified Food Safety and Quality Auditor and Certified Six Sigma Black Belt awarded by the American Society for Quality. Ms. Tam has over 30 years of experience in financial planning, budgeting and analytics, business integration, supply-chain optimisation, system development and internal control.

TONG BARNES Wai Che, Wendy, aged 60, Chief Corporate Affairs Officer, joined the CK Group in March 1999. She is also the Chief Corporate Affairs Officer of CK Asset Holdings Limited and CK Infrastructure Holdings Limited and the Deputy Chief Executive Officer of Hui Xian Asset Management Limited. She holds a Bachelor's degree in Business Administration.

WONG Wun Lam, Peter, aged 56, is Vice President, Finance, responsible for all matters relating to accounting and finance of the Company's overseas subsidiaries. Mr. Wong holds a Bachelor of Commerce degree, majoring in accounting. He is also a graduate of the Executive Master of Business Administration programme. He has had wide and varied experience in all aspects of accounting and finance. In addition to spending over 10 years in a Netherlands-based electronics and telecommunications multinational, he has also worked for leading utility and logistics providers. Prior to joining the Group in September 2020, he was Executive Director and Group CFO of a leading environmental group listed on the Hong Kong Stock Exchange.

WU Pak To, Sunny, aged 59, is Vice President, Global Operations of the Company, responsible for the profit contribution of the Group's commercial activities. Trained in accountancy, Mr. Wu holds Master of Business Administration and Master of Laws degrees. He has lived in New York, London, Sydney, Singapore and Shanghai, undertaking assignments for multinational corporations spanning different industries, including fast moving consumer home and personal care products, infant nutrition, multilevel marketing and professional services. He has held leadership roles in a full range of functions covering general management, finance and operations. Prior to joining the Company in February 2021, he was Chief Financial Officer and Director of Operations, Asia, in a globally recognised engineering and design services firm.

YAN Wai Yin, Kirsty, aged 51, Senior Manager, Internal Audit, joined the Company in April 2010. She holds a Master of Business Administration degree, and a Bachelor of Arts degree in Accountancy. In addition to being a Certified Internal Auditor, Ms. Yan also holds the Certification in Risk Management Assurance by The Institute of Internal Auditors. She is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and a Fellow of The Association of Chartered Certified Accountants. Ms. Yan has over 25 years of experience in auditing and finance. She has worked with a "big four" accounting firm and various listed corporations in different industries including book publishing, electronics, telecommunication as well as real estate.

YEUNG, Eirene, aged 60, the Company Secretary and a member of the Sustainability Committee of the Company. She has been with the CK Group since August 1994 and she joined the Company in January 2002. Ms. Yeung is also Executive Committee Member and Company Secretary, and General Manager of Company Secretarial Department of CK Asset Holdings Limited. She is also the Company Secretary of CK Infrastructure Holdings Limited. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust. She is also the Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of CK Infrastructure Holdings Limited. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and a non-practising solicitor of the Senior Courts of England and Wales. She is also a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

Directors and Key Personnel (Cont'd)

OVERSEAS

BARRINGTON-CASE, Angus, aged 46, is Chief Executive Officer of Regenal Investments Pty Limited. He is responsible for managing the Company's vineyard portfolio in Australia and New Zealand. Mr. Barrington-Case holds a Bachelor of Business (Property) degree and is a Certified Practising Property Valuer and Specialist Water Valuer with the Australian Property Institute, as well as a member of the Royal Institute of Chartered Surveyors (RICS). He has substantial experience valuing agricultural and post farm gate infrastructure assets across Australia, having previously held positions with major property firms and wineries.

BRUEGGMAN, Patrick, aged 57, is the President and Chief Executive Officer of Vitaquest International LLC ("Vitaquest"). He holds a Bachelor of Science degree in Chemistry, with a minor in Business Administration. Mr. Brueggman brings over 25 years of experience in the specialty chemical/ingredient industry, having spent his last 15 years in the pharmaceutical, food and personal care industries. Mr. Brueggman has rich multi-functional experience including commercial excellence, Six Sigma process focus, and innovation for growth.

HERRON, Mark, aged 54, is Chief Executive Officer of Australian Agribusiness (Holdings) Pty Ltd. He is responsible for the Company's businesses serving customers in Australasia in agriculture, horticulture, golf and turf, pest management and home garden. An MBA graduate, Mr. Herron is also a Certified Practising Accountant (CPA) in Australia and a Member of the Australian Institute of Company Directors (AICD). Prior to joining Australian Agribusiness in early 2019 as Chief Financial Officer, Mr. Herron obtained substantial international business experience with multinational corporations, mainly in the fast moving consumer goods and manufacturing industries, based in Australia, the United Kingdom and the Middle East.

KORZ, Walter, aged 62, is Chief Operating Officer of WEX Pharmaceuticals Inc. Mr. Korz joined WEX in November 2010. He holds a Master of Business Administration degree and has over 30 years of experience in the biotech sector, having worked for a number of emerging and established companies. Mr. Korz brings with him a broad drug development background with experience in business development, finance, clinical development, regulatory affairs, and project outsourcing.

MALLON, Patrick, aged 60, is Chief Operating Officer of Polynoma LLC ("Polynoma") and is responsible for the management of preclinical, clinical development and operations, regulatory affairs, CMC/manufacturing, commercial development and quality functions of the Company. Mr. Mallon joined Polynoma in 2011. He holds a Bachelor's degree in Medical Technology, and has extensive senior and C-level executive experience in the pharmaceutical, medical device and life sciences sectors with expertise in product design, development and commercialisation of new, cutting-edge technologies, products and services. Mr. Mallon has a successful track record in building organisations for both start-up and Fortune 500 companies.

SPEED, Andrew, aged 47, is Chief Executive Officer of the Cheetham Salt Group ("Cheetham"). He was appointed National Sales & Marketing Manager for Cheetham in July 2007, and was appointed Chief Executive Officer in June 2008. He holds a Master's degree in Business Administration, a Bachelor's degree in Science, and is a Graduate Member of the Australian Institute of Company Directors. Prior to joining Cheetham, Mr. Speed worked for a major Australian multinational in a range of national sales and product management roles. He has extensive experience in the food, agricultural and industrial sectors.

Directors and Key Personnel (Cont'd)

TANNA, Rob, aged 54, is Chief Executive Officer of Lipa Pharmaceuticals Ltd (“Lipa”) and is responsible for the company’s health supplements and OTC pharmaceutical operations in Australia. Mr. Tanna joined Lipa as Chief Financial Officer in August 2019, and assumed the position of Chief Executive Officer in April 2020. He began his professional career with one of the leading auditing firms. Prior to joining the company, he was Chief Operating Officer of the Australian & New Zealand beverage unit in a multinational food and beverage conglomerate based in Japan, having previously spent over two decades in its fast moving consumer products subsidiary. He holds a Bachelor of Economics degree and is a Member of the Institute of Chartered Accountants in Australia.

TRUDEAU, Philippe, aged 57, is President and Chief Executive Officer of Santé Naturelle Adrien Gagnon Ltd. (“Santé Naturelle Adrien Gagnon”) and is responsible for the Company’s health supplements operation in Canada. He holds a Bachelor of Arts degree in Marketing. Mr. Trudeau began his career in the public sector and the pharmaceutical industry. Prior to joining Santé Naturelle Adrien Gagnon in November 2019, he spent almost 25 years in a four-generation family-owned corporation supplying innovative products for food preparation to more than 70 countries.

Report of the Directors

The Directors have pleasure in presenting to shareholders their report together with the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the activities of its subsidiaries are research and development, manufacturing, commercialisation, marketing, sale of, and investment in, nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products.

BUSINESS REVIEW

A fair review of the Group's businesses, and an indication of likely future developments in the Group's businesses are provided in the Business Review and Chairman's Statement on pages 6 to 23 and pages 2 to 5 of this Annual Report respectively. An analysis of the Group's performance using financial key performance indicators is set out in the Financial Summary on page 25 and Financial Review on pages 26 to 27. A description of the principal risks and uncertainties facing the Group can be found in the Risk Factors on pages 163 to 169. The above discussions form part of the Report of the Directors.

In the year of 2020, the Group launched a group-wide Environmental Policy to guide the setting of an overall approach of environmental management across its worldwide businesses. The Group's businesses are also undertaking a range of measures to reduce energy consumption and improve energy efficiency in all business activities. Equipment is converted, retrofitted and replaced where appropriate to lower fuel consumption and greenhouse gas emissions.

The Group strives to improve its environmental management and ensure that appropriate policies and processes are in place to manage its environmental footprint. The Group is working toward implementing an environmental management system (EMS) to standardise the Group's approach to both managing and reducing the environmental impact arising from its operations. It is also looking to set up long-term targets to reduce carbon emissions as appropriate, and enact processes and systems to monitor the Group's carbon footprint.

Many of the Group's activities are subject to regulation by agencies such as the Food and Drug Administration (FDA) in the United States, the Therapeutic Goods Administration (TGA) in Australia and Health Canada. We maintain high awareness of, and comply with, the agencies' requirements; are cooperative with their requests for information and proactively assist them in on-site inspections. Further information about laws and regulations affecting the businesses of the Group can also be found in the Sustainability Report.

The Group endeavours to communicate openly and transparently with its key stakeholders including its employees, customers and suppliers to gather their views on the issues that concern them the most. The Group uses stakeholders' input to understand the shifting market needs, which in turn helps to inform the Group's decision making in relation to its practices, initiatives and disclosures.

The attraction, retention and development of talent are essential for the Group's long-term development. To retain talents, the Group's businesses have implemented a merit-based remuneration mechanism. Where practicable, remuneration packages are benchmarked with market levels periodically and adjusted as appropriate to maintain competitiveness. During the COVID-19 pandemic, a series of operational reinforcement measures have been implemented to ensure employee health and safety and continued operations.

Report of the Directors (Cont'd)

The Group cares about the needs of its customers and engages in open and frequent dialogues with them to gauge their expectations. The Group has set up different channels and strategies to collect and respond to opinions and complaints. For instance, standard operating procedures of customers' complaints and claims are set up at Cheetham, Lipa and Vitaquest for guiding the complaint receiving and further investigation processes.

The Group is aware of the environmental and social impacts that may ensue along the supply chain, and is committed to minimising such risks in the collaborations with suppliers. As stated in the Group's Supplier Code of Conduct, all businesses in its supply chain are required to share the Group's commitment in terms of human rights, working conditions, occupational health and safety, non-discrimination, business ethics and environmental stewardship. Regular monitoring, audits and evaluations are carried out by the Group's businesses to assess the performance of its suppliers.

For the year ended 2020, the Group has strengthened its sustainability governance by setting up its Sustainability Committee which assists the Board to provide directions and guidance to the Group on sustainability and environmental, social and governance ("ESG") related issues. With the frameworks and directions provided under the various sustainability policies adopted by the Board, the Board has mandated the business divisions to devote efforts in developing and implementing measures to address key sustainability risks and opportunities. The Group will also publish its first annual standalone Sustainability Report. Discussion of the Group's environmental policies and performance, the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's relationships with the key stakeholders are set out in the Sustainability Report, which will be published on the website of the Stock Exchange and the Company's website at www.ck-lifesciences.com for inspection and download.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 54.

The Directors recommend the payment of a final dividend of HK\$0.01 per share which represents the total dividend for the year.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 25.

Report of the Directors (Cont'd)

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 170 and their biographical information is set out on pages 28 to 31.

In accordance with the Company's Articles of Association, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Ip Tak Chuen, Edmond, Dr. Toh Kean Meng, Melvin, Mrs. Eva Kwok Lee and Mr. Kwan Kai Cheong will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Donald Jeffrey Roberts was appointed as an Independent Non-executive Director of the Company with effect from 15 July 2020. In accordance with the Company's Articles of Association, Mr. Roberts shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Each of the Independent Non-executive Directors had made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considered that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiary or fellow subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for otherwise disclosed under the section "Continuing Connected Transactions", there was no other transactions, arrangements or contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year 2020 and as at the date of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. A Directors Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

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

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of Ordinary Shares			Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests		
Li Tzar Kuoi, Victor	Beneficial owner & interest of controlled corporations	2,250,000	–	2,835,759,715 (Note 1)	2,838,009,715	29.52%
Kam Hing Lam	Interest of child or spouse	–	6,225,000	–	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	–	–	2,250,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	2,250,000	–	–	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	–	–	1,050,000	0.01%
Kwok Eva Lee	Beneficial owner	200,000	–	–	200,000	0.002%
Donald Jeffrey Roberts	Interest of a controlled corporation	–	–	816,000 (Note 2)	816,000	0.008%

Notes:

- Such 2,835,759,715 shares are held by two subsidiaries of Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF.
- Such interests are held by a company which is equally owned by Mr. Donald Jeffrey Roberts and his wife.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2020, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (Cont'd)

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2020, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(1) Long positions of substantial shareholders in the shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	4,355,634,570	45.31%
Gotak Limited	Interest of a controlled corporation	4,355,634,570 (Note i)	45.31%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,355,634,570 (Note ii)	45.31%
CK Hutchison Holdings Limited	Interest of controlled corporations	4,355,634,570 (Note iii)	45.31%
Trueway International Limited	Beneficial owner	2,119,318,286	22.05%
Li Ka Shing Foundation Limited	Interest of controlled corporations	2,835,759,715 (Note iv)	29.50%
Li Ka-shing	Interest of controlled corporations	2,835,759,715 (Note v)	29.50%

Report of the Directors (Cont'd)

(2) Long positions of other persons in the shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	716,441,429	7.45%

Notes:

- i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SFO.
- ii. As Gotak Limited is wholly-owned by Cheung Kong (Holdings) Limited ("CKH"), CKH is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.
- iii. As CKH is wholly-owned by CK Hutchison Holdings Limited ("CK Hutchison"), CK Hutchison is deemed to be interested in the same number of shares which CKH is deemed to be interested under the SFO.
- iv. Trueway International Limited ("Trueway") and Triluck Assets Limited ("Triluck") are wholly-owned by LKSF and LKSF is deemed to be interested in a total of 2,835,759,715 shares under the SFO, being the aggregate of the shares in which Trueway and Triluck were interested as shown against the names Trueway and Triluck above.
- v. By virtue of the terms of the constituent documents of LKSF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF. Mr. Li Ka-shing is deemed to be interested in the same number of shares in which LKSF is deemed to be interested as mentioned above under the SFO.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

(1) Core business activities of the Group

- (i) Research and development, manufacturing, commercialisation, marketing, sale of, and investment in, nutraceuticals, pharmaceuticals and agriculture-related products and assets; and
- (ii) Investment in various financial and investment products.

(2) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Victor T K Li	CK Hutchison Holdings Limited	Chairman and Group Co-Managing Director	(i) & (ii)
	CK Asset Holdings Limited	Chairman and Managing Director	(i)
	CK Infrastructure Holdings Limited	Chairman	(ii)
	Power Assets Holdings Limited	Non-executive Director	(ii)
Kam Hing Lam	CK Hutchison Holdings Limited	Deputy Managing Director	(i) & (ii)
	CK Asset Holdings Limited	Deputy Managing Director	(i)
	CK Infrastructure Holdings Limited	Group Managing Director	(ii)
Ip Tak Chuen, Edmond	CK Hutchison Holdings Limited	Deputy Managing Director	(i) & (ii)
	CK Asset Holdings Limited	Deputy Managing Director	(i)
	CK Infrastructure Holdings Limited	Deputy Chairman	(ii)
Peter Peace Tulloch	Ittelocin Pty Ltd	Director	(i)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions of the Group during the year ended 31 December 2020 under the Listing Rules:

(1) Lease Agreements

On 1 March 2005 and 5 May 2009, Vitaquest International LLC (“Vitaquest”), a subsidiary of the Company, entered into lease agreements (“Lease Agreements”) (as defined and more particularly described in the announcements of the Company dated 30 March 2006 (the “VQ Announcement I”) and 5 May 2009 (the “VQ Announcement II”, and together with VQ Announcement I, collectively referred to as the “VQ Announcements”)) with Leknarf Associates, LLC (“Leknarf”), under which (i) three leases in respect of the Premises (as defined and more particularly described in the VQ Announcement I) from Leknarf or its predecessor were renewed for a term of fifteen years commencing from 1 March 2005; and (ii) a lease in respect of the Premises (as defined and more particularly described in the VQ Announcement II) from Leknarf commenced from 1 May 2009 and expires on 28 February 2020 (hereinafter collectively referred to as the “Continuing Connected Transactions I”). The rents payable for the respective lease under the Lease Agreements for each subsequent lease year shall be the rents for the prior lease year increased at the fixed rate of 2% per annum. As at the dates of the VQ Announcements, the annual rentals for the leases under the Lease Agreements were approximately US\$228,000 (approximately HK\$1,774,000), approximately US\$1,127,000 (approximately HK\$8,768,000), approximately US\$551,000* (approximately HK\$4,287,000) and US\$616,000 (approximately HK\$4,804,800) respectively. The annual fixed rent and other expenses (including real estate taxes, operating expenses, utility expenses and costs of maintenance) payable during the term of the lease described in VQ Announcement II cannot exceed the relevant annual caps set out below:

For the year ended 31 December (in US\$'000)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
493	749	764	779	795	811	827	844	860	878	895	150

The rents for the leases under the Lease Agreements have the same payment terms and are to be paid by monthly instalments in advance on the first day of each and every calendar month during the lease period. Leknarf was an associate of an individual investor, who resigned as a director of a wholly-owned subsidiary of the Company with effect from 16 January 2019. Leknarf was therefore a connected person of the Company until 15 January 2020 under the Listing Rules and thus the Lease Agreements ceased to constitute continuing connected transaction for the Company as of 16 January 2020. According to Rule 14A.60(1) of the Listing Rules, the Lease Agreements are subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules only until 15 January 2020. During the period from 1 January 2020 to 15 January 2020, the rentals paid to Leknarf for the leases under the Lease Agreements amounted to US\$11,918 (HK\$93,000), US\$58,791 (HK\$459,000), US\$0* (HK\$0) and US\$30,278 (HK\$236,000) respectively.

* On 1 June 2011, an agreement was entered into by Vitaquest, Leknarf and an independent third party under which Vitaquest, with the consent of Leknarf, assigned this lease agreement dated 1 March 2005 to the independent third party.

Details of the Continuing Connected Transactions I were disclosed in the VQ Announcements.

Report of the Directors (Cont'd)

(2) Supply Agreement

The Existing Supply Agreement (as defined and more particularly described in the announcement of the Company dated 15 December 2017 (the “New Supply Announcement”)) had expired on 31 December 2017.

On 15 December 2017, the Company entered into a New CKHH Supply Agreement (as defined and more particularly described in the New Supply Announcement) with CK Hutchison Holdings Limited (“CKHH”). CKHH was interested in approximately 45.31% of the issued share capital of the Company as at 15 December 2017 and therefore is a substantial shareholder of the Company, and thus CKHH is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the New CKHH Supply Agreement between the Company and CKHH constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules (hereinafter referred to as the “Continuing Connected Transactions II”). Mr. Victor T K Li, being a director of the Company, voluntarily abstained from voting on the board resolutions of the Company for approving the Continuing Connected Transactions II. Under the New CKHH Supply Agreement, (a) the Company agreed to continue to provide and/or procure members of the Group to provide the Products (as defined in the New Supply Announcement) to the CKHH Group (as defined in the New Supply Announcement) for a term of three years commencing from 1 January 2018 to 31 December 2020; and (b) CKHH agreed to continue to purchase and/or procure members of the CKHH Group (in respect of those members of the CKHH Group in which CKHH is directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of the voting power at any general meeting of such companies, to procure with reasonable endeavours only) to purchase the Products from the Group for sale and distribution by the CKHH Group both locally and overseas on a non-exclusive basis. In connection with the supply of the Products by the Group to the CKHH Group, relevant members of the Group may make the Sales Related Payments (as defined in the New Supply Announcement) to relevant members of the CKHH Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or merchandising services to be rendered by the CKHH Group).

The Continuing Connected Transactions II cannot exceed the relevant annual caps set out below:

Category of the Continuing Connected Transactions II	Annual caps (in HK\$)		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Transactions under or pursuant to the New CKHH Supply Agreement:			
(a) the value of the Products to be provided to the CKHH Group;	127,338,000	133,705,000	140,390,000
(b) the value of the Sales Related Payments payable by the Group	19,680,000	20,664,000	21,697,000

During the year 2020, the value of the Products provided by the Group to the CKHH Group and the value of the Sales Related Payments paid/payable by the Group to the CKHH Group pursuant to the New CKHH Supply Agreement amounted to HK\$35,000,000 and HK\$4,988,000 respectively. Details of the Continuing Connected Transactions II were disclosed in the New Supply Announcement.

(3) Management Agreement

The Existing Management Agreement (as defined and more particularly described in the announcement of the Company dated 18 December 2019 (the “New Management Announcement”)) had expired on 31 December 2019.

On 18 December 2019, Regenal Management Services Pty Limited (“RMSPL”), a wholly-owned subsidiary of the Company and Ittelocin Pty Ltd (“IPL”), a wholly-owned subsidiary of CK Asset Holdings Limited (“CKA”) entered into a new management agreement (the “New Management Agreement”) (as defined and more particularly described in the New Management Announcement). Given that Mr. Li Ka-shing, Mr. Victor T K Li (being a director of the Company) and the Trust (as defined in the New Management Announcement) have been deemed as a group of connected persons by the Stock Exchange and they directly or indirectly held an aggregate of approximately 32.40% of the issued share capital of CKA as at 18 December 2019, CKA may be regarded as a connected person of the Company under the Listing Rules. IPL, being a wholly-owned subsidiary of CKA, may also be regarded as a connected person of the Company under the Listing Rules, and the entering into of the New Management Agreement between RMSPL and IPL constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules (hereinafter referred to as the “Continuing Connected Transactions III”). Mr. Victor T K Li voluntarily abstained from voting on the board resolutions of the Company for approving the Continuing Connected Transactions III. Under the New Management Agreement, RMSPL agreed to provide and/or procure to provide general management services, property services, leasing services, acquisition and disposal services and capital expenditure and re-development services to IPL in respect of the Properties (as defined and more particularly described in the New Management Announcement) in Australia and New Zealand for a term commencing from 1 January 2020 and ending on the earlier of (i) the date on which the New Management Agreement is terminated in accordance with its terms; (ii) the date on which all Properties are sold or disposed of; or (iii) 31 December 2022.

The aggregate amount of fees receivable by RMSPL from IPL in respect of the Continuing Connected Transactions III cannot exceed the relevant annual caps set out below:

	Annual caps (in HK\$)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
The aggregate amount of fees receivable by RMSPL from IPL	15,000,000	20,000,000	25,000,000

During the year 2020, the aggregate amount of fees received/receivable by RMSPL from IPL pursuant to the New Management Agreement amounted to HK\$6,247,000. Details of the Continuing Connected Transactions III were disclosed in the New Management Announcement.

The Continuing Connected Transactions I, Continuing Connected Transactions II and Continuing Connected Transactions III (collectively referred to as the “Continuing Connected Transactions”) have all been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that for the year 2020 the Continuing Connected Transactions were entered into (i) in the ordinary and usual course of business of the Group (except that the Continuing Connected Transactions III may not be considered as in the ordinary and usual course of business of the Company); (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Report of the Directors (Cont'd)

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board and confirmed that for the year 2020 nothing has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) have exceeded the relevant caps; and (iii) the samples that the auditor selected for the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions and were not in accordance with the Group's pricing policies, if applicable.

Other Continuing Connected Transactions

On 16 December 2020, the Company entered into the New CKHH Supply Agreement with CKHH for a term of three years commencing from 1 January 2021 in relation to the supply of Products and the Sales Related Payments (as defined and more particularly described in the announcement of the Company dated 16 December 2020).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers was less than 30% and the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's purchases.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2020, the Company has not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning to the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2020 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 149 to 151.

AUDITOR

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and offer themselves for re-appointment at the 2021 annual general meeting.

On behalf of the Board

Victor T K Li

Chairman

Hong Kong, 16 March 2021

Independent Auditor's Report

Deloitte.

德勤

To The Shareholders of

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

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 126, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of goodwill</i>	
<p>We identified the impairment assessment of goodwill as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the judgments involved in the management's impairment assessment of goodwill.</p>	<p>Our procedures in relation to the impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the management's process and controls over the impairment assessment of goodwill;
<p>As disclosed in note 17 to the consolidated financial statements, as at 31 December 2020, the carrying amount of goodwill (net of accumulated impairment losses) amounted to HK\$2,848,492,000 which represented approximately 24% of the Group's total assets. As disclosed in note 3(e)(iii) to the consolidated financial statements, a cash-generating unit to which goodwill has been allocated is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the unit might be impaired.</p>	<ul style="list-style-type: none"> • Assessing the valuation methodology adopted by management in impairment assessment of goodwill in accordance with the requirements of the relevant HKFRSs; • Evaluating the historical accuracy of the cash flows projections from the respective cash-generating units to which the goodwill belongs by comparing them to the actual results in the current year and understanding the causes of any significant variances;
<p>As set out in note 4 to the consolidated financial statements, the value in use requires the Group to estimate the future cash flows expected to arise from cash-generating units to which the goodwill belongs and a suitable discount rate by referencing to market comparables in order to calculate its present value. The key inputs to cash flow projections, including budgeted sales and gross margin, are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.</p>	<ul style="list-style-type: none"> • Evaluating the reasonableness of key inputs to cash flows projections used by the management, including budgeted sales and gross margin, and involving our internal valuation experts to assess the reasonableness of the discount rates applied in calculating the value in use; and • Performing sensitivity analysis on budgeted sales, gross margin, and discount rates to evaluate the magnitude of their impacts on the calculations of the value in use of the respective cash-generating units to which the goodwill belongs and assessing the reasonableness of the impairment assessment.
<p>During the year ended 31 December 2020, no additional impairment of goodwill is considered by the management and details of the management's process for goodwill impairment assessment are disclosed in note 17.</p>	

Independent Auditor's Report (Cont'd)

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties <p>We identified the valuation of investment properties as a key audit matter as the determination of the fair value of investment properties is dependent on certain significant unobservable inputs that involve the management's judgments, including current market rents for similar properties in the same location and condition, and appropriate discount rates.</p> <p>All of the Group's investment properties are measured at fair value which were revalued by the directors of the Company by reference to the valuation performed by independent qualified professional valuers (the "Valuers"). Details of the valuation techniques and key inputs used in the valuation are disclosed in notes 4 and 35(b) to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group's investment properties carried at HK\$2,032,170,000, represented approximately 17% of the Group's total assets. As disclosed in note 6 to the consolidated financial statements, net unrealised gain on fair value changes of investment properties of HK\$122,820,000 was recognised in the consolidated income statement for the year.</p>	<p>Our procedures in relation to the valuation of investment properties with the involvement of component auditor included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the management's process and controls over the valuation of investment properties;• Evaluating the competence, capabilities and objectivity of the Valuers and verifying their qualifications;• Assessing the appropriateness of the valuation techniques used by the Valuers; and involving our internal valuation experts to review the reasonableness of the significant inputs of a selection of investment properties adopted by the management, including current market rents for similar properties in the same location and condition, and discount rates; and• Checking the mathematical accuracy of the discounted cash flow of the investment properties using the inputs adopted by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Cont'd)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	4,942,544	4,967,024
Cost of sales		(3,535,638)	(3,360,287)
		1,406,906	1,606,737
Other income, gains and losses	6	161,619	95,857
Staff costs	7	(540,546)	(550,137)
Depreciation		(100,119)	(92,855)
Amortisation of intangible assets		(7,128)	(7,050)
Other expenses	8	(674,360)	(677,246)
Finance costs	9	(128,726)	(158,884)
Share of results of a joint venture		1,480	1,013
Profit before taxation		119,126	217,435
Taxation	10	6,102	(27,474)
Profit for the year	11	125,228	189,961
Attributable to:			
Shareholders of the Company		125,234	181,735
Non-controlling interests of subsidiaries		(6)	8,226
		125,228	189,961
Earnings per share	12		
– Basic		1.30 cents	1.89 cents
– Diluted		1.30 cents	1.89 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	125,228	189,961
Other comprehensive income/(expenses)		
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	(835)	(616)
Gain on revaluation of property, plant and equipment	41,885	–
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	–	(10,644)
	41,050	(11,260)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	478,323	(124,430)
Other comprehensive income/(expenses) for the year	519,373	(135,690)
Total comprehensive income for the year	644,601	54,271
Attributable to:		
Shareholders of the Company	644,607	50,907
Non-controlling interests of subsidiaries	(6)	3,364
	644,601	54,271

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties	14	2,032,170	1,673,043
Property, plant and equipment	15	2,349,000	1,916,982
Right-of-use assets	16	466,774	431,756
Intangible assets	17	3,741,656	3,596,805
Interests in a joint venture	18	6,526	5,114
Deferred taxation	27	89,871	44,643
		8,685,997	7,668,343
Current assets			
Equity investments	19	12,714	16,636
Tax recoverable		22,839	25,966
Inventories	20	1,370,102	1,182,651
Receivables and prepayments	21	927,019	1,124,491
Bank balances and deposits	22	958,998	696,504
		3,291,672	3,046,248
Current liabilities			
Payables and accruals	23	(806,086)	(667,170)
Bank borrowings	24	–	(2,782,428)
Lease liabilities	25	(73,701)	(74,725)
Taxation		(35,786)	(51,117)
		(915,573)	(3,575,440)
Net current assets/(liabilities)		2,376,099	(529,192)
Total assets less current liabilities		11,062,096	7,139,151

Consolidated Statement of Financial Position (Cont'd)

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Bank borrowings	24	(4,502,861)	(1,224,000)
Lease liabilities	25	(513,939)	(449,477)
Other borrowings	26	(1,100,000)	(1,100,000)
Deferred taxation	27	(216,623)	(182,521)
Retirement benefit obligations	28	(10,214)	(8,403)
		(6,343,637)	(2,964,401)
Total net assets			
		4,718,459	4,174,750
Capital and reserves			
Share capital	29	961,107	961,107
Share premium and reserves		3,760,092	3,216,377
Equity attributable to shareholders of the Company			
Non-controlling interests of subsidiaries		(2,740)	(2,734)
Total equity			
		4,718,459	4,174,750

Victor T K Li

Director

Ip Tak Chuen, Edmond

Director

16 March 2021

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to shareholders of the Company								Attributable to non-controlling interests of subsidiaries	Total
	Share capital	Share premium	Investment at fair value through other comprehensive income	Translation reserve	Asset revaluation reserve	Other reserves	Retained earnings	Sub-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 2019	961,107	3,570,879	(92,703)	(1,399,778)	–	(538,640)	1,719,438	4,220,303	155,935	4,376,238
Profit for the year	–	–	–	–	–	–	181,735	181,735	8,226	189,961
Exchange differences arising from translation of foreign operations	–	–	–	(119,568)	–	–	–	(119,568)	(4,862)	(124,430)
Actuarial loss of defined benefit retirement plan	–	–	–	–	–	–	(616)	(616)	–	(616)
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	–	–	(10,644)	–	–	–	–	(10,644)	–	(10,644)
Total comprehensive (expenses)/ income for the year	–	–	(10,644)	(119,568)	–	–	181,119	50,907	3,364	54,271
Acquisition of additional interests in subsidiaries	–	–	–	–	–	2,385	–	2,385	(153,674)	(151,289)
Dividends paid to the shareholders of the Company – 2018 final dividend HK\$0.01 per share	–	(96,111)	–	–	–	–	–	(96,111)	–	(96,111)
Dividends distributed to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(8,359)	(8,359)
As at 31 December 2019	961,107	3,474,768	(103,347)	(1,519,346)	–	(536,255)	1,900,557	4,177,484	(2,734)	4,174,750
Profit for the year	–	–	–	–	–	–	125,234	125,234	(6)	125,228
Exchange differences arising from translation of foreign operations	–	–	–	478,323	–	–	–	478,323	–	478,323
Actuarial loss of defined benefit retirement plan	–	–	–	–	–	–	(835)	(835)	–	(835)
Gain on revaluation of property, plant and equipment	–	–	–	–	41,885	–	–	41,885	–	41,885
Total comprehensive income/ (expenses) for the year	–	–	–	478,323	41,885	–	124,399	644,607	(6)	644,601
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(4,781)	–	(4,781)	–	(4,781)
Dividends paid to the shareholders of the Company – 2019 final dividend HK\$0.01 per share	–	(96,111)	–	–	–	–	–	(96,111)	–	(96,111)
As at 31 December 2020	961,107	3,378,657	(103,347)	(1,041,023)	41,885	(541,036)	2,024,956	4,721,199	(2,740)	4,718,459

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	119,126	217,435
Share of results of a joint venture	(1,480)	(1,013)
Finance costs	128,726	158,884
Depreciation	213,237	197,360
Fair value loss/(gain) on investments mandatorily measured at fair value through profit or loss	3,922	(5,051)
Net loss/(gain) on disposal of property, plant and equipment	1,802	(1,073)
Gain on reassessment of lease liabilities	–	(2,495)
Interest income	(2,368)	(8,756)
Amortisation of intangible assets	7,128	7,050
Net unrealised gain on fair value changes of investment properties	(122,820)	(120,385)
Net (reversal of impairment)/impairment of property, plant and equipment	(9,391)	21,425
Impairment of intangible assets	–	2,992
Net impairment of trade receivables	14,384	1,348
Impairment of other receivable	–	600
Inventories written off	74,168	20,195
Operating cash flows before working capital changes	426,434	488,516
(Increase)/decrease in inventories	(186,655)	116
Decrease in receivables and prepayments	251,168	94,898
Increase/(decrease) in payables and accruals	92,226	(97,415)
Profits tax paid	(52,218)	(106,968)
Net cash from operating activities	530,955	379,147
Investing activities		
Purchases of investment properties	(81,845)	(69,216)
Purchases of property, plant and equipment	(335,436)	(163,961)
Additions to intangible assets	(44,400)	(33,816)
Proceeds from disposal of property, plant and equipment	1,196	1,659
Dividends received from a joint venture	693	2,658
Interest received	2,480	8,759
Net cash used in investing activities	(457,312)	(253,917)

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Financing activities			
New bank borrowings raised		3,265,913	1,224,000
Repayment of bank borrowings		(2,797,913)	(924,000)
New other borrowings raised		1,100,000	–
Repayment of other borrowings		(1,100,000)	–
Repayment of lease liabilities – Principal portion		(68,993)	(72,188)
Repayment of lease liabilities – Interest portion		(21,318)	(9,778)
Interest paid on bank and other borrowings		(108,055)	(149,318)
Acquisition of additional interests in subsidiaries		(4,781)	(151,289)
Dividends distributed to non-controlling interest of a subsidiary		–	(13,528)
Dividends distributed to shareholders of the Company		(96,111)	(96,111)
Net cash from/(used in) financing activities		168,742	(192,212)
Net increase/(decrease) in cash and cash equivalents		242,385	(66,982)
Cash and cash equivalents at beginning of the year		696,504	773,374
Effect of foreign exchange rate changes		20,109	(9,888)
Cash and cash equivalents at end of the year	22	958,998	696,504

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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 “Stock Exchange”). The addresses of its registered office and principal place of business are disclosed in the section headed “Corporate Information and Key Dates” of the Group’s annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is 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. Particulars regarding the principal subsidiaries are set out in Appendix I.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and the Amendments to reference to the Conceptual Framework in HKFRS Standards (collectively “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective in the current year.

The adoption of the new HKFRSs has 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 HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

Notes to the Consolidated Financial Statements (Cont'd)

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Amendment to HKFRS 16 COVID-19-Related Rent Concessions is effective for annual reporting periods beginning on or after 1 June 2020. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases (“HKFRS 16”) if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group’s financial position and performance as the Group does not obtain any rent concessions.

Apart from the above, the Group is in the process of assessing the impact of new HKFRSs, which are not yet effective, on the Group’s consolidated financial statements. Up to the date of approval of financial statements, the Group anticipates the application of all new and amendments to HKFRSs will have no material impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, 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 HKFRS 16, and measurements that have some similarities to fair value but not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets ("HKAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique shall be calibrated so that at initial recognition the result of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) *Basis of consolidation*

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) *Basis of consolidation (cont'd)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity under the heading of other reserves and attributed to the shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes (“HKAS 12”) and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or the replacement of an acquiree’s share-based payment arrangements with share-based payment arrangements of the Group are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combinations (cont'd)

Where the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(c) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties, which include land, buildings and integral infrastructure, are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) *Property, plant and equipment*

Property, plant and equipment, other than freehold land, salt fields and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than freehold land, salt fields and construction in progress over their estimated useful lives, and after taking into account their estimated residual values, using the straight-line method, at the following basis:

Leasehold improvement	6 $\frac{2}{3}$ % to 25%, or over the term of the lease, whichever is shorter
Leasehold land	Over the term of the lease
Buildings	2.5% to 7.7%, or over the term of the lease, whichever is shorter
Vines	Over 25 to 80 years
Laboratory instruments, plant and equipment	4% to 66 $\frac{2}{3}$ %
Furniture, fixtures and other assets	6 $\frac{2}{3}$ % to 66 $\frac{2}{3}$ %

Freehold land is stated at cost less any subsequent accumulated impairment losses.

Salt fields carried at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated impairment losses. The carrying amount of salt fields includes the carrying amount of the related lease liabilities where appropriate to avoid double counting. Salt fields are considered to have an indefinite useful life as the salt field operation is carried out on freehold lands or on leasehold lands, of which the leases may be renewed by the Group indefinitely.

Any revaluation increase arising from the revaluation of salt fields is recognised in other comprehensive income and accumulated in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising from the revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained earnings.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

No depreciation is provided on freehold land, salt fields and construction in progress.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) *Property, plant and equipment (cont'd)*

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16) at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying value of the item) is included in the profit or loss in the period in which the item is derecognised.

(e) *Intangible assets*

i. **Development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of development costs shall begin when the asset is available for use and will be charged to profit or loss on a straight-line basis over the estimated useful lives of the underlying products.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) *Intangible assets (cont'd)*

ii. Patents

On initial recognition, patents acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, patents are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over the estimated useful lives of the relevant products of 10 years.

iii. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount of the unit, the carrying amount of the cash-generating unit (or group of cash-generating units) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. The impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or the group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

iv. Brand name and trademarks

On initial recognition, brand name and trademarks acquired from business combinations are recognised at fair value at the acquisition date.

Brand name and trademarks are recognised at cost less any accumulated impairment losses. The cost is not amortised as the brand name and trademarks have indefinite useful life.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) *Intangible assets (cont'd)*

v. **Water rights**

Water rights provide the owner with right to use water for irrigation as long as the rights are held. Water rights that are able to be legally separated from properties and are able to be traded are recognised separately.

Water rights are recognised at cost less any accumulated impairment losses. The cost is not amortised as the water licences have indefinite useful lives.

Due to the water rights being used for the provision of permanent planting of crops (vines), these water rights are held to support the vines and not for regular trading purposes.

vi. **Other intangible assets (including customer relationships and computer software)**

On initial recognition, other intangible assets acquired from business combinations are recognised separately from goodwill and are initially recognised at fair value at the acquisition date. After initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of the assets of 2 to 10 years.

vii. **Impairment of intangible assets with indefinite useful lives**

Brand name and trademarks and water rights with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that they may be impaired, by comparing their carrying amounts with their recoverable amounts. An impairment loss is recognised immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

viii. **Derecognition**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) *Impairment*

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets (other than goodwill and intangible assets with indefinite useful lives which are disclosed in note (e) above) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets is estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash-generating unit for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of an asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the investment in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) *Investments in joint ventures (cont'd)*

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset in accordance with HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportionate share of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

(h) *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) *Financial instruments (cont'd)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

i. Classification of financial assets

Debt instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- amortised cost;
- fair value through other comprehensive income (“FVTOCI”); and
- fair value through profit or loss (“FVTPL”).

Classification is driven by the entity’s business model for managing the debt instrument and the debt instrument’s contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as FVTOCI only if both of the following criteria are met:

- the objective of the Group’s business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL.

Receivables, bank balances and deposits of the Group are classified as at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

i. Classification of financial assets (cont'd)

Equity investments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVTPL.

The Group has made an irrevocable election at initial recognition to designate the investments in equity instruments which are not held for trading to be measured at fair value through other comprehensive income rather than profit or loss.

ii. Measurement of financial assets

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is recognised in profit or loss as other income, gains and losses using the effective interest method.

Equity investments classified as FVTOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVTOCI do not report impairment losses (and reversal of impairment losses) separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Financial assets at FVTPL

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss as other income, gains and losses as applicable.

Dividend income is recognised when the right to receive payment is certain.

iii. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables related to sales of goods and operating leases only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers trade receivables do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) *Financial instruments (cont'd)*

iii. Impairment of financial assets (cont'd)

For all other financial assets measured at amortised cost that are considered to be of low credit risk (i.e. has a lower risk of default), it is assumed that no significant increase in credit risk has occurred since initial recognition. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

When there is information (developed internally or obtained from external sources) indicating that a debtor is unlikely to pay its creditors, including the Group, in full, the Group may consider the related receivables are generally not recoverable and constitute as a default.

A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the counterparty;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of expected credit losses reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the expected credit losses is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) *Financial instruments (cont'd)*

iv. Classification and measurement of financial liabilities

Financial liabilities including bank borrowings, other borrowings and payables are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v. Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an equity investment which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(j) *Revenue from contracts with customers*

Revenue from the sale of goods is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer, generally upon delivery of the goods. Revenue is recognised for sales with variable consideration which are considered highly probable that a significant reversal of the cumulative revenue recognised will not occur.

When the Group receives a deposit before the satisfaction of a performance obligation of the sales, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. Payments received in advance that are related to sales of goods not yet delivered are deferred and recognised as contract liabilities under "Payables and accruals" in the consolidated statement of financial position. Revenue is recognised at a point in time when goods are delivered to customers. All contracts of sales of goods have an original expected duration within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low value assets. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Depreciation is recognised on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases (cont'd)

The Group as lessee (cont'd)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in index or rate in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases (cont'd)

The Group as lessee (cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Lease agreements entered into with lessees over vineyard properties and wineries are considered to be operating leases given that the Group retains substantially all the risks and benefits of ownership of the leased assets.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Under certain circumstances, incentives such as rent-free periods may be offered to tenants. Such an incentive is amortised over the term of the lease as a reduction in rental income on a straight-line basis.

(l) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised in the line item under "other income, gains and losses" on the consolidated income statement.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) *Employee Retirement Benefits*

The Group operates defined contribution and defined benefit retirement plans for its employees.

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plan is determined using the projected unit credit method, with actuarial valuations being carried out annually.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation. The liability recognised in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past and current service costs are charged to the consolidated income statement within staff costs.

(n) *Foreign currencies*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated at the prevailing rates on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing rates at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the Group's control over the foreign operation.

On consolidation, assets and liabilities of the Group's operations with a functional currency that is different from the presentation currency are translated into the presentation currency at the prevailing rates at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) *Foreign currencies (cont'd)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising from the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

(o) *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items of income and expense that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) *Taxation (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(p) *Borrowing costs*

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Cont'd)

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies described in note 3, the management has made estimates and assumptions concerning the future. The estimates and assumptions that have a significant impact on changes in value of the carrying amounts of significant assets and liabilities include investment properties, property, plant and equipment, goodwill, development costs, right-of-use assets, lease liabilities and deferred taxation.

The Group's investment properties and salt fields are stated at fair values by reference to independent valuations. These valuations were performed by independent professional valuers based on valuation techniques involving certain estimations and assumptions. Any changes to these estimations and assumptions would result in changes in the fair values of these assets and corresponding adjustments to the Group's profit or loss and asset revaluation reserve.

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than the previously estimated useful lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

Determining whether property, plant and equipment, right-of-use assets and goodwill have been impaired requires an estimation of the value in use of the assets or the cash-generating units to which the assets belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or the cash-generating units and a suitable discount rate by referencing to market comparables in order to calculate the present value. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise. Furthermore, the key inputs to the cash flows projections, including budgeted sales and gross margin, are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.

Determining whether capitalised development cost is impaired requires an estimation of the recoverable amount through future commercial activity which requires the Group to estimate the future cash flows expected to arise from the developed products. Impairment losses may arise when actual cash flows are less than expected.

Details of the impairment test on goodwill and capitalised development costs are set out in note 17.

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

Determining whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and that affects the assessment. When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONT'D)

As at 31 December 2020, a deferred tax asset of HK\$89,871,000 (2019: HK\$44,643,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's operations due to the COVID-19. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

Fair value measurements and valuation processes

The best evidence of fair value is current prices in an active market for properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing leases and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The principal assumptions for the Group's estimation of fair value of investment properties include those related to current market rents for similar properties in the same location and condition and appropriate discount rates.

In estimating the fair value of the properties, the highest and best use of the properties is generally their current use. Details of information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets are disclosed in note 35.

Notes to the Consolidated Financial Statements (Cont'd)

5. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Sales of goods:		
Agriculture-related	1,961,086	1,788,836
Health	2,814,728	3,021,285
Revenue from contracts with customers	4,775,814	4,810,121
Rental income (included in agriculture-related segment)	165,824	156,450
Investment income	906	453
	4,942,544	4,967,024

Rental income represents the operating lease income with fixed lease payments.

6. OTHER INCOME, GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	1,096	6,008
Other interest income	1,272	2,748
Government grants*	21,924	–
Exchange gain/(loss)	8,150	(34,372)
Net unrealised gain on fair value changes of investment properties	122,820	120,385
Net reversal of impairment/(impairment) of property, plant and equipment	9,391	(21,425)
Impairment of intangible assets	–	(2,992)
Net impairment of trade receivables	(14,384)	(1,348)
Impairment of other receivable	–	(600)
Net (loss)/gain on disposal of property, plant and equipment	(1,802)	1,073
Fair value (loss)/gain on investments mandatorily measured at fair value through profit or loss		
– Investments held for trading	(3,922)	5,051

* Included in the government grants are COVID-19 subsidies of HK\$4,863,000 (2019: Nil) relate to Employment Support Scheme provided by the Hong Kong government, and the remaining amounts represent the COVID-19 subsidies received from the Group's overseas operations.

Notes to the Consolidated Financial Statements (Cont'd)

7. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$1,019.9 million (2019: HK\$1,049.5 million) of which HK\$479.4 million (2019: HK\$499.4 million) relating to direct labor costs were included in cost of sales.

8. OTHER EXPENSES

	2020 HK\$'000	2019 HK\$'000
Included in other expenses are:		
Auditor's remuneration	12,667	10,515
Clinical trial and laboratory expenses	107,382	79,565
Freight and delivery expenses	264,255	269,635
Information technology expenses	27,965	27,161
Insurance expenses	33,619	29,173
Professional, legal and consultancy expenses	47,769	58,354
Selling, promotion, advertising and related expenses	62,982	62,645
Short-term leases expenses	4,243	1,693
Low value assets leases expenses	548	419

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on:		
Bank borrowings	85,734	116,832
Other borrowings	22,116	32,274
Lease liabilities	20,876	9,778
	128,726	158,884

Notes to the Consolidated Financial Statements (Cont'd)

10. TAXATION

	2020 HK\$'000	2019 HK\$'000
The tax (credit)/expenses for the year represent:		
Current tax		
Hong Kong	184	–
Other jurisdictions	39,387	32,139
Over provision in prior years		
Hong Kong	–	–
Other jurisdictions	(796)	(4,729)
Deferred tax (Note 27)		
Hong Kong	–	–
Other jurisdictions	(44,877)	64
	(6,102)	27,474

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. Several overseas subsidiaries of the Company were under a tax audit for the period from 1 January 2008 to 31 December 2014. During the year ended 31 December 2019, the Group had reached an agreement with the relevant tax authority to finalise the tax dispute mainly regarding the deductibility of certain interest expenses.

The tax (credit)/expenses for the year can be reconciled to the profit before taxation as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	119,126	217,435
Notional tax at tax rate of 16.5%	19,656	35,877
Tax effect of share of results of a joint venture	(244)	(167)
Tax effect of non-deductible expenses	23,505	39,301
Tax effect of non-taxable income	(34,666)	(45,192)
Tax effect of tax losses not recognised	22,239	48,241
Over provision in prior years	(796)	(4,729)
Tax effect on deferred tax due to change in tax rate and tax base	–	(64,521)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(11,847)	22,602
Recognition of previously unrecognised tax losses	(26,699)	–
Others	2,750	(3,938)
Tax (credit)/expenses	(6,102)	27,474

Notes to the Consolidated Financial Statements (Cont'd)

11. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of:		
Property, plant and equipment		
– Owned assets	134,469	126,819
Right-of-use assets		
– Land and buildings	66,220	57,263
– Machinery and equipment	4,439	3,930
– Furniture, fixtures and other assets	8,109	9,348
	213,237	197,360
Amounts included in production overheads	(113,118)	(104,505)
	100,119	92,855
Inventories written off	74,168	20,195
and after crediting:		
Rental income from investment properties (included in revenue)	165,824	156,450
Dividend income from listed securities mandatorily measured at fair value through profit or loss (included in revenue)	906	453

Notes to the Consolidated Financial Statements (Cont'd)

12. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	125,234	181,735
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 2020 and 31 December 2019 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

13. DIVIDENDS

A final dividend for the year ended 31 December 2020 of HK\$0.01 per share (2019: HK\$0.01 per share) with an aggregate amount of HK\$96,111,000 (2019: HK\$96,111,000) had been proposed by the Directors. It is subject to approval by the shareholders in the forthcoming general meeting.

14. INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Overseas freehold investment properties, at valuation		
As at 1 January	1,673,043	1,522,092
Additions	81,845	69,216
Net increase in fair value recognised in profit or loss	122,820	120,385
Exchange differences	154,462	(38,650)
As at 31 December	2,032,170	1,673,043

Details of the valuation processes and valuation techniques of investment properties are disclosed in notes 4 and 35(b).

Notes to the Consolidated Financial Statements (Cont'd)

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Vines <i>HK\$'000</i>	Salt fields <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Laboratory instruments, plant and equipment <i>HK\$'000</i>	Furniture, fixtures and other assets <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation								
As at 1 January 2019	610,863	546,759	417,532	106,268	940,967	145,730	168,435	2,936,554
Additions	1,798	43,786	1,706	88,383	18,922	8,867	2,205	165,667
Reclassification	9,438	–	1,692	(74,958)	60,396	2,936	496	–
Disposals/write-off	(15)	–	–	–	(18,142)	(2,083)	(204)	(20,444)
Exchange difference	(14,683)	(14,686)	(13,251)	(812)	(20,898)	(1,138)	(1,612)	(67,080)
As at 31 December 2019	607,401	575,859	407,679	118,881	981,245	154,312	169,320	3,014,697
Additions	138	82,934	13,551	220,499	21,963	9,832	70	348,987
Reclassification	7,503	–	1,837	(243,642)	112,059	13,058	109,185	–
Disposals/write-off	–	–	–	(81)	(7,330)	(1,340)	(11,281)	(20,032)
Revaluation	–	–	59,836	–	–	–	–	59,836
Exchange difference	43,178	55,920	37,884	6,975	67,641	6,496	5,052	223,146
As at 31 December 2020	658,220	714,713	520,787	102,632	1,175,578	182,358	272,346	3,626,634
Comprising:								
Cost	658,220	714,713	–	102,632	1,175,578	182,358	272,346	3,105,847
Valuation	–	–	520,787	–	–	–	–	520,787
	658,220	714,713	520,787	102,632	1,175,578	182,358	272,346	3,626,634
Depreciation and impairment								
As at 1 January 2019	90,431	197,600	–	–	498,252	111,676	88,731	986,690
Provided for the year	11,645	22,964	–	–	67,309	10,798	14,103	126,819
Impairment loss	–	21,425	–	–	–	–	–	21,425
Eliminated upon disposals/ write-off	(15)	–	–	–	(17,579)	(2,064)	(200)	(19,858)
Exchange difference	(1,068)	(5,794)	–	–	(9,290)	(757)	(452)	(17,361)
As at 31 December 2019	100,993	236,195	–	–	538,692	119,653	102,182	1,097,715
Provided for the year	12,711	24,657	–	–	71,056	13,027	13,018	134,469
Reversal of impairment loss	–	(9,391)	–	–	–	–	–	(9,391)
Eliminated upon disposals/ write-off	–	–	–	–	(6,804)	(1,173)	(9,057)	(17,034)
Exchange difference	5,473	23,828	–	–	35,241	5,477	1,856	71,875
As at 31 December 2020	119,177	275,289	–	–	638,185	136,984	107,999	1,277,634
Carrying values								
As at 31 December 2020	539,043	439,424	520,787	102,632	537,393	45,374	164,347	2,349,000
As at 31 December 2019	506,408	339,664	407,679	118,881	442,553	34,659	67,138	1,916,982

Notes to the Consolidated Financial Statements (Cont'd)

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying value of properties shown above comprises:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Land and building:		
Hong Kong	67,492	70,039
Overseas	471,551	436,369
	539,043	506,408

Details of the valuation processes and valuation techniques of salt fields are disclosed in notes 4 and 35(b).

During the year ended 31 December 2020, the Directors conducted reviews on the recoverable amounts of property, plant and equipment. As a result, reversal of impairment losses of HK\$9,391,000 (2019: impairment loss of HK\$21,425,000) have been recognised in profit or loss to increase (2019: reduce) the carrying amount of vines to their recoverable amounts.

16. RIGHT-OF-USE ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Land and buildings	446,046	411,348
Machinery and equipment	11,893	7,449
Furniture, fixtures and other assets	8,835	12,959
	466,774	431,756

The Group obtains right to control the use of various offices, plant sites, machinery, equipment and motor vehicles for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and remaining lease terms ranging from 1 month to 27 years. The lease arrangements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets including adjustments made thereto resulting from a reassessment of the corresponding lease liabilities during the year ended 31 December 2020 totalled HK\$103,088,000 (2019: HK\$204,999,000).

During the year ended 31 December 2020, total cash outflow for leases of HK\$90,311,000 (2019: HK\$81,966,000) was included in net cash used in financing activities, and total cash outflow for short-term and low value assets lease expenses of HK\$4,791,000 (2019: HK\$2,112,000) was included in net cash from operating activities.

Notes to the Consolidated Financial Statements (Cont'd)

16. RIGHT-OF-USE ASSETS (CONT'D)

In addition, the Group regularly entered into short-term leases for offices, equipment and motor vehicles. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 8 relates.

As at 31 December 2020, the Group has entered into a new lease for office that has not yet commenced, with a non-cancellable period of 1 year (2019: ranging from 1 to 5 years) excluding extension option, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK\$648,000 (2019: HK\$13,159,000).

17. INTANGIBLE ASSETS

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Brand name and trademarks HK\$'000	Customer relationships HK\$'000	Water rights HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
Cost								
As at 1 January 2019	414,213	139	2,800,738	124,273	373,315	236,368	27,341	3,976,387
Additions	–	–	–	–	–	32,700	1,116	33,816
Exchange difference	4,440	(5)	(14,489)	(678)	(5,274)	(8,483)	(220)	(24,709)
As at 31 December 2019	418,653	134	2,786,249	123,595	368,041	260,585	28,237	3,985,494
Additions	–	–	–	–	–	43,315	1,085	44,400
Exchange difference	5,123	13	62,243	7,101	16,017	33,604	1,815	125,916
As at 31 December 2020	423,776	147	2,848,492	130,696	384,058	337,504	31,137	4,155,810
Amortisation and impairment								
As at 1 January 2019	456	115	–	–	360,181	12,739	10,660	384,151
Provided for the year	–	–	–	–	4,052	–	2,998	7,050
Impairment loss	–	–	–	–	–	2,992	–	2,992
Exchange difference	10	(4)	–	–	(4,871)	(435)	(204)	(5,504)
As at 31 December 2019	466	111	–	–	359,362	15,296	13,454	388,689
Provided for the year	–	–	–	–	3,985	–	3,143	7,128
Exchange difference	12	11	–	–	15,587	1,479	1,248	18,337
As at 31 December 2020	478	122	–	–	378,934	16,775	17,845	414,154
Carrying values								
As at 31 December 2020	423,298	25	2,848,492	130,696	5,124	320,729	13,292	3,741,656
As at 31 December 2019	418,187	23	2,786,249	123,595	8,679	245,289	14,783	3,596,805

Notes to the Consolidated Financial Statements (Cont'd)

17. INTANGIBLE ASSETS (CONT'D)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill and brand name and trademarks with indefinite useful lives have been allocated to six individual cash generating units (CGUs), including three in the health segment and three in the agriculture-related segment. The carrying amounts of goodwill and brand name and trademarks (net of accumulated impairment losses) as at 31 December 2020 allocated to these segments are as follows:

	Goodwill		Brand name and trademarks	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Health	2,515,985	2,479,835	62,784	61,237
Agriculture-related	332,507	306,414	67,912	62,358
	2,848,492	2,786,249	130,696	123,595

During the year ended 31 December 2020, management of the Group has assessed the recoverable amounts of the Group's CGUs containing goodwill or brand name and trademarks with indefinite useful lives.

The recoverable amounts of the CGUs are determined from the value in use calculations. These calculations use cash flow projections based on 5-year period financial budgets approved by management, and discount rates of 9.1% to 11.5% (2019: 10.0% to 12.0%). The CGUs cash flows beyond budget period are extrapolated using steady growth rates. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows have included budgeted sales and gross margin, and such estimation is based on the unit's past performance and management's expectations with the impact of COVID-19 for market development.

The Group also tests the impairment of capitalised development costs by assessing, where appropriate, the cash flows and profit projections, and the progress of the development activities of the relevant product groups.

No additional impairment loss is considered by the management for the year ended 31 December 2020. During the year ended 31 December 2019, the Directors conducted reviews on the recoverable amounts of water rights entitlements. As a result, impairment loss of HK\$2,992,000 had been recognised in profit or loss to reduce the carrying amount of intangible assets to their recoverable amounts.

Other intangible assets include computer software.

Notes to the Consolidated Financial Statements (Cont'd)

18. INTERESTS IN A JOINT VENTURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of investment in a joint venture, unlisted	5,420	5,420
Share of post-acquisition results, net of dividends received	3,389	2,602
Exchange reserve	(2,283)	(2,908)
Aggregate carrying amount	6,526	5,114
Group's share of results and total comprehensive income of a joint venture for the year	1,480	1,013
Dividends received from a joint venture during the year	693	2,658

Particulars regarding the principal joint venture are set out in Appendix II.

19. EQUITY INVESTMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed in Hong Kong at quoted price		
– Equity investments mandatorily measured at fair value through profit or loss	12,714	16,636

20. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	795,375	513,446
Work in progress	285,413	347,468
Finished goods	289,314	321,737
	1,370,102	1,182,651

The cost of inventories recognised as an expense during the year was HK\$3,535,638,000 (2019: HK\$3,360,287,000).

Notes to the Consolidated Financial Statements (Cont'd)

21. RECEIVABLES AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables related to:		
– Sales of goods	771,479	946,603
– Operating leases	3,938	1,422
	775,417	948,025
Less: provision for impairment	(12,061)	(8,366)
	763,356	939,659
Prepayments and deposits	105,118	84,505
Other receivables	58,545	100,327
	927,019	1,124,491

As at 31 December 2020, trade receivables from contracts with customers amounted to HK\$759,418,000 (2019: HK\$938,237,000). As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$1,037,753,000.

The Group has a policy of allowing a 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:

	2020 HK\$'000	2019 HK\$'000
0-90 days	718,412	815,428
Over 90 days	44,944	124,231
	763,356	939,659

Notes to the Consolidated Financial Statements (Cont'd)

21. RECEIVABLES AND PREPAYMENTS (CONT'D)

Trade receivables that were past due related to a number of independent customers that have good trade records with the Group. Based on past experience, the management believes that there has not been a significant increase in credit risk and the balances are still considered recoverable and not in default. The Group does not hold any collateral over these balances.

The movements in lifetime expected credit losses recognised for trade receivables under the simplified approach are as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	8,366	11,264
Impairment loss recognised	14,639	1,503
Amounts recovered during the year	(255)	(155)
Uncollectible amounts written off	(10,985)	(4,083)
Exchange difference	296	(163)
As at 31 December	12,061	8,366

The Directors consider that the carrying amounts of trade and other receivables approximate their fair values.

22. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry an average interest rate of 0.16% (2019: 0.83%) per annum.

The Directors consider that the carrying amounts of bank balances and deposits approximate their fair values.

23. PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Trade payables	314,129	259,362
Accrued charges	356,780	309,272
Other payables	135,177	98,536
	806,086	667,170

Notes to the Consolidated Financial Statements (Cont'd)

23. PAYABLES AND ACCRUALS (CONT'D)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-90 days	306,503	225,559
Over 90 days	7,626	33,803
	314,129	259,362

The Directors consider that the carrying amounts of trade and other payables approximate their fair values.

Included in the other payables are contract liabilities of HK\$38,560,000 (2019: HK\$11,920,000) relate to the advance consideration received from customers. Contract liabilities are recognised as revenue when the Group transfers the goods to the customers and therefore satisfies its performance obligation. In addition, included in the accrued charges are staff costs of HK\$139,496,000 (2019: HK\$142,523,000).

The following table shows the revenue recognised in the current reporting period related to carried-forward contract liabilities:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	11,920	12,909

The Group's contracts are generally with an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (Cont'd)

24. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans repayable		
Within 1 year	–	2,782,428
Over 1 year but within 2 years	1,224,000	–
Over 2 years but within 5 years	3,278,861	1,224,000
	4,502,861	4,006,428
Analysed as:		
Secured	342,861	314,428
Unsecured	4,160,000	3,692,000
	4,502,861	4,006,428
Carrying amount analysed for reporting purpose as:		
Current	–	2,782,428
Non-current	4,502,861	1,224,000

The carrying amounts of the Group's loans are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Australian dollars	170,718	155,088
New Zealand dollars	172,143	159,340
Hong Kong dollars	3,224,000	3,224,000
United States dollars	936,000	468,000
	4,502,861	4,006,428

As at 31 December 2020, the bank loans are arranged at floating rates with an effective interest rate of 2.03% (2019: 3.05%) per annum.

The Directors consider that the carrying amounts of the bank borrowings approximate their fair values.

Notes to the Consolidated Financial Statements (Cont'd)

25. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable		
Within 1 year	73,701	74,725
Over 1 year but within 2 years	66,059	73,363
Over 2 years but within 5 years	176,846	193,148
Over 5 years*	271,034	182,966
	587,640	524,202
Carrying amount analysed for reporting purpose as:		
Current	73,701	74,725
Non-current	513,939	449,477

* The balance includes lease payments with perpetuity lease term amounted to HK\$87,560,000 (2019: HK\$70,281,000).

The Group has extension options in a number of leases for offices, plant sites and machinery. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2020, net additional lease liabilities with aggregate amounts of HK\$68,045,000 (2019: HK\$15,212,000) were recognised for certain leases of offices and plant sites.

The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarised below:

	Lease liabilities recognised		Potential future lease payments not included in lease liabilities (undiscounted)	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Land and buildings	566,622	503,567	660,427	717,413
Machinery and equipment	11,999	7,389	1,062	957
Furniture, fixtures and other assets	9,019	13,246	–	–
	587,640	524,202	661,489	718,370

As at 31 December 2020 and 31 December 2019, land and buildings include lease liabilities related to certain lands leased for salt field operation.

Notes to the Consolidated Financial Statements (Cont'd)

26. OTHER BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other borrowings repayable		
Over 1 year but within 2 years	–	1,100,000
Over 2 years but within 5 years	1,100,000	–
	1,100,000	1,100,000
Carrying amount analysed for reporting purpose as:		
Non-current	1,100,000	1,100,000

Included in other borrowings is a loan of HK\$498.4 million from a subsidiary of a substantial shareholder of the Company, which has been refinanced during the year ended 31 December 2020. The amount is unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate (the "HIBOR") plus a margin of 1.60% (2019: 1.05%) per annum, and is due in January 2024 (2019: February 2021). The interest expense incurred for the year ended 31 December 2020 was HK\$10.2 million (2019: HK\$14.7 million).

The remaining borrowing of HK\$601.6 million has been refinanced during the year ended 31 December 2020 and the amount is unsecured, bearing interest with reference to HIBOR plus a margin of 1.60% (2019: 1.05%) per annum, and is due in January 2024 (2019: February 2021).

The Directors consider that the carrying amounts of other borrowings approximate their fair value.

Notes to the Consolidated Financial Statements (Cont'd)

27. DEFERRED TAXATION

The major deferred tax liabilities/(assets) recognised by the Group and movements during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Revaluation of property, plant and equipment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group						
As at 1 January 2019	57,146	474,728	(343,560)	–	(46,465)	141,849
Tax effect of change in tax rate and tax base*	21,543	(178,678)	64,006	–	28,608	(64,521)
Charge/(credit) to profit or loss	8,807	40,752	22,560	–	(7,534)	64,585
Exchange difference	(930)	(128)	–	–	(2,977)	(4,035)
As at 31 December 2019	86,566	336,674	(256,994)	–	(28,368)	137,878
Charge/(credit) to profit or loss	67,819	31,444	(82,336)	–	(61,804)	(44,877)
Charge to other comprehensive income	–	–	–	17,951	–	17,951
Exchange difference	15,627	970	–	–	(797)	15,800
As at 31 December 2020	170,012	369,088	(339,330)	17,951	(90,969)	126,752

* The effective tax rate of certain subsidiaries in the United States decreased from 28.00% to 22.69% due to changes in state tax base, plus, the change in estimated tax book value.

Other deferred taxation mainly comprises deductible temporary differences arising from certain intercompany interest charges and certain accruals.

The following is the analysis of the deferred tax balances included in the consolidated statement of financial position:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deferred tax liabilities	216,623	182,521
Deferred tax assets	(89,871)	(44,643)
	126,752	137,878

At the end of the reporting period, the total unutilised tax losses and tax credits amounted to approximately HK\$4,622,592,000 (2019: HK\$4,253,211,000). A deferred tax asset has been recognised in respect of such losses and credits of HK\$1,533,231,000 (2019: HK\$1,149,366,000). No deferred tax asset has been recognised in respect of the remaining HK\$3,089,361,000 (2019: HK\$3,103,845,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses and credits to be utilised.

Notes to the Consolidated Financial Statements (Cont'd)

27. DEFERRED TAXATION (CONT'D)

An analysis of the expiry dates of the tax losses and tax credits not recognised is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 to 5 years	1,992	1,907
Over 5 years	441,290	535,104
No expiry date	2,646,079	2,566,834
	3,089,361	3,103,845

28. RETIREMENT PLANS

The principal employee retirement schemes operated by the Group are defined contribution schemes. For Hong Kong employees, contributions are made by either employer only or by both employer and employees at rates ranging from approximately 5% to 10% on employees' salary. For overseas employees, contributions are made by employer at rates ranging from 3% to 10% on employees' salary.

The Group's cost in respect of defined contribution plans for the year was HK\$49,472,000 (2019: HK\$42,409,000) and forfeited contribution during the year of HK\$1,056,000 (2019: HK\$195,000) was used to reduce the Group's contribution in the year.

Apart from those mentioned above, certain subsidiaries in Indonesia of the Company are subject to defined benefit retirement plans under local labour law. The plans are unfunded without any plan assets and covering eligible employees of its subsidiaries in Indonesia.

Actuarial valuation of the defined benefit plans was carried out at 31 December 2020 and 31 December 2019 by Amran Nangasan, a Fellow of the Society of Actuaries of Indonesia, of Kantor Konsultan Aktuaria Tubagus Syafrial & Amran Nangasan (2019: PT. Kaia Magna Consulting), to determine the pension obligation that was required to be disclosed and accounted for in the consolidated financial statements in accordance with HKAS 19 "Employee Benefits". The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. Discount rates and expected rate of salary increase used for the purpose of the actuarial valuation were ranging from 6.6% to 6.9% (2019: 7.4%) and 10.0% (2019: 10.0%), respectively.

Notes to the Consolidated Financial Statements (Cont'd)

28. RETIREMENT PLANS (CONT'D)

Movements in net defined benefit obligations are as follows:

	2020 HK\$'000	2019 HK\$'000
The Group		
As at 1 January	8,403	6,343
Net charge to the consolidated income statement		
Current service cost	1,559	1,318
Net charge to other comprehensive income		
Remeasurement loss:		
Actuarial loss arising from change in financial assumption	486	375
Actuarial loss arising from experience adjustment	349	241
	835	616
Benefits paid	(393)	(128)
Exchange difference	(190)	254
As at 31 December	10,214	8,403

The below analysis shows how the defined benefit obligations as at 31 December 2020 and 31 December 2019 would have increased/(decreased) as a result of 1 per cent change in the significant actuarial assumptions.

	Increase in 1%		Decrease in 1%	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Discount rate	(756)	(581)	880	667
Expected rate of salary increase	606	458	(835)	(648)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

The defined benefit retirement plans expose the Group to actuarial risks, such as interest rate risk, longevity risk and salary risk.

Notes to the Consolidated Financial Statements (Cont'd)

29. SHARE CAPITAL

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
Authorised	15,000,000	1,500,000
Issued and fully paid: As at 1 January 2019, 31 December 2019 and 31 December 2020	9,611,073	961,107

30. PLEDGE OF ASSETS

Bank borrowings of HK\$342,861,000 (2019: HK\$314,428,000) are secured by mortgages over the property, plant and equipment, investment properties and intangible assets of subsidiaries with an aggregate carrying value of HK\$1,081,868,000 (2019: HK\$931,376,000) as at 31 December 2020.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The total future minimum lease income receivables as lessor by the Group under non-cancellable operating leases in respect of vineyards with term ranging from 6 to 20 years were as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	184,151	151,080
Over 1 year but within 2 years	179,796	148,186
Over 2 years but within 3 years	158,180	139,542
Over 3 years but within 4 years	135,142	122,416
Over 4 years but within 5 years	115,637	96,476
Over 5 years	683,049	578,501
	1,455,955	1,236,201

Notes to the Consolidated Financial Statements (Cont'd)

32. CAPITAL COMMITMENT

In addition to the capital commitment set out elsewhere in the notes to the consolidated financial statements, the Group has the following capital commitment as at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Capital commitment in respect of the acquisition of plant and equipment, and maintenance of vineyards		
– contracted but not provided for	54,648	13,390
– authorised but not contracted for	8,511	13,122

33. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid or payable to the Company's Directors (comprise payments in connection with the management of the affairs of the Company and its subsidiaries and for their services as Directors) were as follows:

Name of Director	Basic salaries and allowances		Retirement benefit scheme contributions		Total emoluments 2020	Total emoluments 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:						
Victor T K Li	79	–	–	–	79	75
Kam Hing Lam	75	–	2,650	–	2,725	3,825
Ip Tak Chuen, Edmond	77	–	1,400	–	1,477	2,075
Yu Ying Choi, Alan Abel	75	10,706	2,200	1,012	13,993	13,846
Toh Kean Meng, Melvin	75	4,134	960	408	5,577	5,306
Non-executive Director:						
Peter Peace Tulloch	75	–	–	–	75	75
Independent Non-executive Directors:						
Kwok Eva Lee	100	–	–	–	100	137
Kwan Kai Cheong	155	–	–	–	155	155
Colin Stevens Russel	143	–	–	–	143	180
Paul Joseph Tighe [#]	159	–	–	–	159	84
Donald Jeffrey Roberts [*]	74	–	–	–	74	–
	1,087	14,840	7,210	1,420	24,557	25,758

* Mr. Donald Jeffrey Roberts has been appointed as an Independent Non-executive Director of the Company with effect from 15 July 2020.

Mr. Paul Joseph Tighe had been appointed as an Independent Non-executive Director of the Company with effect from 17 June 2019.

33. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

(a) Directors' emoluments (cont'd)

The Directors' fees included an amount of HK\$75,000 (2019: HK\$75,000) for each Director and an additional amount of HK\$80,000 (2019: HK\$80,000), HK\$25,000 (2019: HK\$25,000), HK\$25,000 (2019: Nil) and HK\$25,000 (2019: Nil) for members of the audit committee, remuneration committee, nomination committee and sustainability committee (collectively the "Board Committees") respectively. Prior to 1 December 2020, such additional fees were only paid/payable to each Independent Non-executive Director who is also a member of the audit committee and remuneration committee. With effect from 1 December 2020, such additional fees were paid/payable to all Directors who are members of the Board Committees. All Directors' fees would be calculated in proportion to the length of services of the Directors during the year.

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

None of the Directors waived any emoluments in the year ended 31 December 2020 and 31 December 2019. No incentives were paid/payable by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2019: two) of them are Directors whose emoluments are disclosed in note (a) above. The emoluments of the remaining three (2019: three) are as follows:

	2020 HK\$'000	2019 HK\$'000
Salary and other benefits	13,405	15,352
Bonus	4,656	3,296
Retirement benefits scheme contributions	586	595
	18,647	19,243

Notes to the Consolidated Financial Statements (Cont'd)

33. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

(b) Five highest paid individuals (cont'd)

Their emoluments were within the following bands:

	2020 Number of employees	2019 Number of employees
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	1
HK\$7,000,001 to HK\$7,500,000	1	1
	3	3

No incentive was paid/payable by the Group to the above individuals as inducements to join, or upon joining the Group, or as compensation for loss of office.

34. RISK MANAGEMENT

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital on the basis of the net debt to net total capital ratio. This ratio is calculated as the Group's net borrowings divided by 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 and other borrowings) less cash, bank balances and time deposits. As at 31 December 2020, the net debt to net total capital ratio of the Group is approximately 49.60% (2019: 51.37%).

Notes to the Consolidated Financial Statements (Cont'd)

34. RISK MANAGEMENT (CONT'D)

Financial Risk Management

The Group's activities expose itself to different kinds of financial risks. The management has been monitoring these risk exposures to ensure appropriate measures are implemented in a timely and effective manner so as to mitigate or reduce such risks.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's trade and other receivables. Impairment provisions are made under expected credit loss model at the end of the reporting period.

The Group's maximum exposure to credit risk in the event of failures of the counterparties to perform their obligations as at 31 December 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period based on the debtor's historical settlement records and management's past experience to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables is set out in note 21.

Regarding to the trade and other receivables, the Group considers the probability of default upon initial recognition. Subsequently, the Group, on an ongoing basis, assesses whether there has been a significant increase in credit risk throughout each reporting period. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation.

The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Except for the financial guarantees given by the Company for certain bank facilities of its subsidiaries, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Investments of the Group are kept sufficiently liquid to meet operating needs.

Notes to the Consolidated Financial Statements (Cont'd)

34. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(b) Liquidity risk (cont'd)

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

The non-derivative financial liabilities of the Group as at the end of the reporting period are analysed into relevant maturity buckets based on their contractual maturity dates in the tables below:

	Trade and other payables <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i> (note i)	Lease liabilities <i>HK\$'000</i> (note ii)	Other borrowings <i>HK\$'000</i> (note i)	Total <i>HK\$'000</i>
Year 2020					
Carrying amount	449,306	4,502,861	587,640	1,100,000	6,639,807
Total contractual undiscounted cash flow					
Within 1 year or on demand	449,306	50,536	92,874	19,578	612,294
Over 1 year but within 2 years	–	1,265,901	82,839	19,578	1,368,318
Over 2 years but within 5 years	–	3,299,551	214,325	1,119,632	4,633,508
Over 5 years	–	–	210,880	–	210,880
	449,306	4,615,988	600,918	1,158,788	6,825,000
Year 2019					
Carrying amount	357,898	4,006,428	524,202	1,100,000	5,988,528
Total contractual undiscounted cash flow					
Within 1 year or on demand	357,898	2,875,269	85,967	40,877	3,360,011
Over 1 year but within 2 years	–	42,915	82,759	1,103,406	1,229,080
Over 2 years but within 5 years	–	1,237,762	211,172	–	1,448,934
Over 5 years	–	–	149,811	–	149,811
	357,898	4,155,946	529,709	1,144,283	6,187,836

Notes:

- The undiscounted cash flow is projected based on the terms and balances as at 31 December 2020 and 31 December 2019 respectively without taking into account of future changes of the terms and balances. Interest rates applied for interest portion are estimated using contractual rates or, if floating, based on current interest rates as at the respective end of reporting period.
- For salt field related leases, the undiscounted cash flow presented in the table above reflects the contractual lease payments payable under the non-cancellable period of the relevant leases only.

34. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(c) Interest rate risks

There are two types of interest rate risk – fair value interest rate risk (“FVIR Risk”) and cash flow interest rate risk (“CFIR Risk”). FVIR Risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and CFIR Risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities at fixed rates expose the Group to FVIR Risk while financial assets and liabilities at variable rates expose the Group to CFIR Risk.

The Group’s exposure to changes in interest rates is mainly attributable to its bank deposits and interest-bearing borrowings.

As most of the Group’s interest-bearing financial assets (mainly bank deposits) are based on floating rates with short interest rate reset periods, no material FVIR Risk is expected. The amounts of interest income from the abovementioned financial assets are mainly dependent on the availability of idle funds of the Group instead of interest rate and it is the Group’s policy to obtain a favorable return by shifting the idle funds between the bank deposits and investments. Details of the Group’s bank balances and deposits have been disclosed in note 22.

In respect of interest-bearing financial liabilities, the Group’s interest rate risk arises primarily from its bank and other borrowings. Most of them are based on market rates and are therefore exposed to CFIR Risk. It is the Group’s policy to keep its borrowings at floating rate of interests so as to minimise the FVIR Risk. Details of the Group’s bank and other borrowings have been disclosed in notes 24 and 26, respectively.

As at 31 December 2020, if the interest rates on the Group’s floating-rate borrowings had been 50 basis points (“bps”) higher/lower than the actual interest rates at year end with all other variables held constant, profit before taxation for the year would have been HK\$28,014,000 (2019: HK\$25,532,000) lower/higher, mainly as a result of higher/lower interest expense on such borrowings. The 50 bps increase/decrease represents the management’s assessment of a reasonably possible change in interest rates over the period until the end of next annual reporting period. The above sensitivity analysis is based on the Group’s total floating-rate borrowings of HK\$5,602,861,000 as at 31 December 2020 (2019: HK\$5,106,428,000) without considering the increases/decreases of the borrowings during the year.

Notes to the Consolidated Financial Statements (Cont'd)

34. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(d) **Currency risk**

Currency risk is the risk that the value of financial instruments denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. Apart from certain intra-group balances denominated in foreign currencies, the Group has minimal exposure to foreign currency risk as most of the financial assets and liabilities held by the Group's overseas subsidiaries are denominated in the respective functional currency of such subsidiaries. The management always monitors foreign exchange exposure closely in order to keep the currency risk at a reasonable level.

(e) **Other price risk**

The Group is exposed to securities price changes arising from its equity investments at fair value through profit or loss (note 19).

All of the Group's trading securities are listed on the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy or sell trading securities are based on the performance of individual securities, as well as the Group's liquidity needs.

If the quoted share prices of the relevant equity investments had been 5% higher/lower, the Group's profit before taxation would be increase/decrease by HK\$636,000 (2019: HK\$832,000) as a result of changes in their fair values. The 5% increase/decrease represents the management's assessment of a reasonably possible change in share prices over the period until the end of next annual reporting period.

Notes to the Consolidated Financial Statements (Cont'd)

35. FAIR VALUE MEASUREMENTS

(a) *Financial instruments measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following details give information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Year 2020				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	12,714	–	–	12,714
Year 2019				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	16,636	–	–	16,636

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(b) *Non-financial assets measured at fair value on a recurring basis*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Year 2020				
Investment properties	–	–	2,032,170	2,032,170
Property, plant and equipment				
Salt fields	–	–	520,787	520,787
Year 2019				
Investment properties	–	–	1,673,043	1,673,043
Property, plant and equipment				
Salt fields	–	–	407,679	407,679

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements (Cont'd)

35. FAIR VALUE MEASUREMENTS (CONT'D)

(b) *Non-financial assets measured at fair value on a recurring basis (cont'd)*

Information about Level 3 fair value measurements

The following table gives information about how the fair value of the Group's major properties carried at fair value as at 31 December 2020 and 31 December 2019 is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Investment properties	Income approach	Discount rates ranging from 6% to 10.25% (2019: 6% to 10.5%); and	Increase/decrease in discount rate will result in decrease/increase in their fair value.
		Market rent per hectare using direct market comparables and taking into account of physical, tenancy or market characteristics related to that property, ranging from HK\$4,175 to HK\$97,854 (2019: HK\$3,809 to HK\$89,711).	Increase/decrease in the market rent per hectare will result in increase/decrease in their fair value.
Salt fields	Income approach	Discount rates ranging from 9% to 12% (2019: 10% to 11%); and	Increase/decrease in discount rate will result in decrease/increase in their fair value.
		Growth rates.	Increase/decrease in the growth rate will result in increase/decrease in their fair value.

Income approach is the valuation technique which includes the use of discounted cash flow method. It discounts future cash flows to a single current amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

35. FAIR VALUE MEASUREMENTS (CONT'D)

(b) *Non-financial assets measured at fair value on a recurring basis (cont'd)*

Information about Level 3 fair value measurements (cont'd)

Details of movement in investment properties are disclosed in note 14. Fair value adjustments of investment properties are recognised in the line item "Other income, gains and losses" on the face of consolidated income statement.

The revaluation gain and exchange adjustments of salt fields are recognised in the line item "Gain on revaluation of property, plant and equipment" and "Exchange difference arising from translation of foreign operations", respectively, on the face of consolidated statement of comprehensive income.

Details of movement in salt fields are disclosed in note 15.

Notes to the Consolidated Financial Statements (Cont'd)

36. 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue	2,126,910	1,945,286	2,814,728	3,021,285	906	453	4,942,544	4,967,024
Segment results	316,359	260,383	146,159	329,421	-	-	462,518	589,804
Unallocated other income, gains or losses							6,800	(17,439)
Research and development expenditure							(149,773)	(122,284)
Corporate expenses							(71,693)	(73,762)
Finance costs							(128,726)	(158,884)
Profit before taxation							119,126	217,435
Taxation							6,102	(27,474)
Profit for the year							125,228	189,961
Other information								
Interest income	315	959	1,284	2,764	769	5,033	2,368	8,756
Amortisation of intangible assets	(6,127)	(6,057)	(1,001)	(993)	-	-	(7,128)	(7,050)
Depreciation	(118,053)	(118,785)	(86,108)	(69,167)	(9,076)	(9,408)	(213,237)	(197,360)
Net impairment of trade receivables	(312)	(628)	(14,072)	(720)	-	-	(14,384)	(1,348)
Impairment of other receivable	-	-	-	-	-	(600)	-	(600)
Net gain/(loss) on disposal of property, plant and equipment	194	1,074	(12)	-	(1,984)	(1)	(1,802)	1,073
Net unrealised gain on fair value changes of investment properties	122,820	120,385	-	-	-	-	122,820	120,385
Net reversal of impairment/(impairment) of property, plant and equipment	9,391	(21,425)	-	-	-	-	9,391	(21,425)
Impairment of intangible assets	-	(2,992)	-	-	-	-	-	(2,992)

Notes to the Consolidated Financial Statements (Cont'd)

36. SEGMENT INFORMATION (CONT'D)

(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)	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific	2,811,575	2,674,637	5,351,797	4,559,463
North America	2,130,063	2,291,934	3,244,329	3,064,237
	4,941,638	4,966,571	8,596,126	7,623,700

Notes :

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

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

The Group does not have any material sales (excluding investment income generated from financial instruments) to countries other than those in which the Group companies are domiciled. There are no material non-current assets (excluding financial instruments and deferred tax assets) which are located in countries other than those in which the Group companies are domiciled.

Notes to the Consolidated Financial Statements (Cont'd)

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK\$'000	Bank and other interest payable (included in payables and accruals) HK\$'000	Lease liabilities HK\$'000	Other borrowings HK\$'000	Dividends payables (included in payables and accruals) HK\$'000	Total HK\$'000
As at 1 January 2019	3,716,249	917	394,513	1,100,000	5,240	5,216,919
Financing cash flow	300,000	(149,318)	(81,966)	–	(109,639)	(40,923)
Finance cost recognised	–	149,106	9,778	–	–	158,884
Dividend recognised as distribution	–	–	–	–	104,470	104,470
New leases entered and reassessment of lease liabilities	–	–	208,316	–	–	208,316
Foreign exchange movement	(9,821)	(56)	(6,439)	–	(71)	(16,387)
At 31 December 2019	4,006,428	649	524,202	1,100,000	–	5,631,279
Financing cash flow	468,000	(108,055)	(90,311)	–	(96,111)	173,523
Finance cost recognised	–	107,850	20,876	–	–	128,726
Dividend recognised as distribution	–	–	–	–	96,111	96,111
New leases entered and reassessment of lease liabilities	–	–	116,639	–	–	116,639
Foreign exchange movement	28,433	1	16,234	–	–	44,668
At 31 December 2020	4,502,861	445	587,640	1,100,000	–	6,190,946

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to the consolidated financial statements, the Group entered into the following significant transactions with related parties during the year:

- (i) The Group made sales of HK\$35,000,000 (2019: HK\$21,728,000) to Hutchison International Limited (“HIL”) group. HIL is an indirect wholly-owned subsidiary of a substantial shareholder of the Company, CK Hutchison Holdings Limited.
- (ii) The Group made sales of HK\$4,087,000 (2019: HK\$3,468,000) to a joint venture of Cheetham Salt Limited, a wholly-owned subsidiary of the Company during the year.

Except for the above transaction with HIL, which constitutes continuing connected transaction as defined under the Listing Rules, details are set out under the paragraph “Continuing Connected Transactions” in the Report of Directors, the remaining related party transaction does not constitute connected transaction or continuing connected transaction.

Notes to the Consolidated Financial Statements (Cont'd)

39. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 HK\$'000	2019 HK\$'000
Non-current asset		
Investments in subsidiaries	2,523,848	2,523,848
Current assets		
Receivables and prepayments	1,439	1,138
Amounts due from subsidiaries	2,745,097	2,736,290
Bank balances and deposits	70	68
	2,746,606	2,737,496
Current liabilities		
Payables and accruals	(176)	(309)
Amounts due to subsidiaries	(1,258,508)	(1,124,522)
	(1,258,684)	(1,124,831)
Net current assets	1,487,922	1,612,665
Net assets	4,011,770	4,136,513
Share capital and reserves		
Share capital (Note 29)	961,107	961,107
Share premium and reserves	3,050,663	3,175,406
Total equity	4,011,770	4,136,513

Notes to the Consolidated Financial Statements (Cont'd)

39. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

The movements in share premium and reserves are as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	3,175,406	3,295,951
Results for the year	(28,632)	(24,434)
Dividends paid to the shareholders	(96,111)	(96,111)
As at 31 December	3,050,663	3,175,406

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 54 to 126 were approved and authorised for issue by the Board of Directors on 16 March 2021.

Principal Subsidiaries

APPENDIX I

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and as such, the following list contains only those principal subsidiaries. They are all indirect subsidiaries. Unless otherwise stated, the principal areas of operations of the companies below were the same as the place of incorporation.

Name	Place of incorporation	Issued ordinary share capital	Effective percentage held by the Company		Principal activities
			indirectly 2020	2019	
Accensi Pty Ltd	Australia	A\$100	100	100	Manufacturing and marketing of plant protection products and soluble fertilisers
Amgrow Pty Ltd	Australia	A\$1	100	100	Blending and distribution of fertilisers, manufacturing and distribution of horticultural products for the home gardening market, distribution of pesticides, and distribution of turf management products and provision of related services
Aspiring Best Limited*	British Virgin Islands	US\$1	100	100	Financing
ATR Packing Services Pty Ltd	Australia	A\$100	100	100	Providing packing services
ATR Property Investments Pty Ltd	Australia	A\$100	100	100	Holding land and building
Barmac Pty Ltd	Australia	A\$7,802	100	100	Manufacturing and sale of fertilisers, pesticides and related agricultural products, the licensing of registration activities and the importation of finished agricultural goods
Belvino Investments Pty Limited	Australia	A\$1,000	100	100	Investment in vineyards
Bofanti Limited*	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Cattleya Investment Limited*	British Virgin Islands	US\$1	100	100	Financing

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital	Effective percentage held by the Company		Principal activities
			indirectly 2020	2019	
Cheetham Salt Limited	Australia	A\$150,405,540	100	100	Production, refining and distribution of salt products
CK Life Sciences Development Limited	Hong Kong	HK\$2	100	100	Research and development
CK Life Sciences Int'l., Inc.*	British Virgin Islands	US\$1	100	100	Products commercialisation
CK Life Sciences Limited	Hong Kong	HK\$10,000,000	100	100	Applied research, production, product development and commercialisation
Dominion Salt Limited	New Zealand	NZ\$1,800,000	100	100	Production and distribution of salt products
Equipment Solutions Pty Ltd	Australia	A\$100	100	100	Distribution of professional turf management machinery, hardware, equipment and accessories
Globe Australia Pty Ltd	Australia	A\$9	100	100	Distribution of turf fertilisers and chemicals, and professional pest products
Joint Kingdom Development Limited	Hong Kong	HK\$1	100	–	Trading for fertilisers and related products
Joyful World Global Limited*	British Virgin Islands	US\$1	100	100	Financing
Jovial Dynasty Limited*	British Virgin Islands	US\$1	100	100	Financing
Lipa Pharmaceuticals Ltd	Australia	A\$17,943,472.62	100	100	Contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines
Magical Fountain Limited*	British Virgin Islands	US\$1	100	–	Financing
Meridian Vision Limited*	British Virgin Islands	US\$1	100	–	Financing

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital	Effective percentage held by the Company		Principal activities
			indirectly 2020	2019	
NutriSmart Australia Pty Ltd	Australia	A\$1	100	100	Supplier of raw materials in nutritional health, pharmaceutical, cosmetics, personal care and food segments
NTAC Pty Ltd	Australia	A\$100	100	100	Holding land and building
Optigen Ingredients Pty Ltd	Australia	A\$200	100	100	Supplier of raw materials in nutritional health, pharmaceutical, cosmetics, personal care and food segments
Perfect Youth Limited*	British Virgin Islands	US\$1	100	–	Financing
Polynoma LLC ^A	USA	N/A	100	100	Research, development, manufacturing and commercialisation of drug products to treat Melanoma
Quest Pharmaceuticals Pty Ltd	Australia	A\$100	100	100	Contract manufacturer of cosmetics and pharmaceutical products
QWIL Investments (NZ) Pty Limited	New Zealand	NZ\$1	100	100	Investment in vineyards
QWIL Investments Pty Ltd	Australia	A\$100	100	100	Investment in vineyards
Regenal Management Services Pty Limited	Australia	A\$100	100	100	Providing asset management services
Renescence Therapeutics Limited	Hong Kong	HK\$100	71	71	Provision of services in the research and development of bio-technology and life sciences technology products
Santé Naturelle A.G. Ltée	Canada	C\$4,716,310	100	100	Manufacturing, wholesaling, retailing and distribution of nutraceutical products
UTR Investments Pty Limited	Australia	A\$100	100	100	Holding land and building

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital	Effective percentage held by the Company		Principal activities
			indirectly 2020	2019	
Vital Care Hong Kong Limited	Hong Kong	HK\$2	100	100	Trading of biotechnology products and nutritional supplements
Vital Production Limited	Hong Kong	HK\$2	100	100	Holding license of biotechnology products and nutritional supplements
Vitaquest International Holdings LLC ^Δ	USA	N/A	100	100	Supply and manufacturing of nutritional supplements
Wex Pharmaceuticals Inc.	Canada	C\$107,520,175	100	100	Research, development, manufacturing and commercialisation of innovative drug products to treat pain

Note: All of the above subsidiaries are limited liability entities. None of the subsidiaries had issued any debt.

* The principal place of operation was in Asia.

^Δ Polynoma LLC and Vitaquest International Holdings LLC did not have any issued or registered capital. However, the Company held 100% (2019: 100%) and 100% (2019: 100%) interest in their common voting rights respectively.

Principal Joint Venture

APPENDIX II

Name	Effective percentage of capital held by the Company indirectly		Principal activities	Place of operation
	2020	2019		
Western Salt Refinery Pty Ltd	50	50	Production and distribution of salt products	Australia

Schedule of Major Investment Properties

APPENDIX III

Description	Location	Existing Land Use	Land Title
Australia			
Balranald Vineyard	Balranald, New South Wales	Vineyard	Freehold
Bussorah Vineyard	Padthaway, South Australia	Vineyard	Freehold
Dalmeny Vineyard	Padthaway, South Australia	Vineyard	Freehold
Hanwood Vineyard	Hanwood, New South Wales	Vineyard	Freehold
Jubilee Park Vineyard	Yamba, South Australia	Vineyard	Freehold
Katnook Vineyard	Coonawarra, South Australia	Vineyard	Freehold
Kenley Vineyard	Kenley, Victoria	Vineyard	Freehold
Lionels Vineyard	Kaloorup, Western Australia	Vineyard	Freehold
Miamba Vineyard	Lyndoch, South Australia	Vineyard	Freehold
Nangiloc Colignan Farms	Colignan, New South Wales	Vineyard	Freehold
Old Land Vineyard	Anniebrook, Western Australia	Vineyard	Freehold
Paringi Vineyard	Paringi, New South Wales	Vineyard	Freehold
Qualco East Vineyard	Qualco, South Australia	Vineyard	Freehold
Qualco West Vineyard	Qualco, South Australia	Vineyard	Freehold
Robinvale Vineyard	Robinvale, Victoria	Vineyard	Freehold
Rowe Road Vineyard	Witchcliffe, Western Australia	Vineyard	Freehold
Station & Kirkgate Vineyard	Coonawarra, South Australia	Vineyard	Freehold
Stephendale Vineyard	Yenda, New South Wales	Vineyard	Freehold
White Road Vineyard	Tharbogang, New South Wales	Vineyard	Freehold
Whitton Vineyard	Whitton, New South Wales	Vineyard	Freehold
Wilga Road Vineyard	Whitton, New South Wales	Vineyard	Freehold
New Zealand			
Claim Vineyard	Bendigo, Central Otago	Vineyard	Freehold
Crownthorpe Vineyard	Matapiro, Hawkes Bay	Vineyard	Freehold
Dashwood Vineyard	Dashwood, Marlborough	Vineyard	Freehold
Deans Vineyard	Broomfield, Waipara	Vineyard	Freehold
Home Vineyard	Amberley, Waipara	Vineyard	Freehold
Mound Vineyard	Amberley, Waipara	Vineyard	Freehold
Northbank Vineyard	Onamalutu, Marlborough	Vineyard	Freehold
Rarangi Vineyard	Rarangi, Marlborough	Vineyard	Freehold
Woolshed Vineyard	Renwick, Marlborough	Vineyard	Freehold

Corporate Governance Report

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. 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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) throughout the year ended 31 December 2020.

The Company established its nomination committee (“Nomination Committee”) in accordance with the terms of the code provision A.5.1 of the CG Code on 1 January 2019. The Nomination Committee currently comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. During the period from 1 January 2020 to 30 November 2020, the Nomination Committee was chaired by the Chairman of the Board (“Chairman”) and comprised all the Directors of the Company, and when the need to select, nominate or re-elect Directors arose, the Nomination Committee established a sub-committee (“Sub-Committee”) chaired by the Chairman and comprising a majority of Independent Non-executive Directors in accordance with the requirements under the Listing Rules in relation to the composition of the nomination committee, to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

I. CODE PROVISIONS

Code Ref.	Code Provisions	Comply (“C”)/ Explain (“E”)	Corporate Governance Practices																														
A.	DIRECTORS																																
A.1	<p>The Board</p> <p>Corporate Governance Principle</p> <p><i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs.</i></p> <p><i>The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</i></p>																																
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of majority of directors.	C	<ul style="list-style-type: none"> The Board meets regularly and held meetings in March, May, August and November of 2020. Directors’ attendance records in 2020 are as follows: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman</i>)</td> <td>4/4</td> </tr> <tr> <td>KAM Hing Lam (<i>President</i>)</td> <td>4/4</td> </tr> <tr> <td>IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)</td> <td>4/4</td> </tr> <tr> <td>YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)</td> <td>4/4</td> </tr> <tr> <td>TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)</td> <td>4/4</td> </tr> <tr> <td colspan="2">Non-executive Director</td> </tr> <tr> <td>Peter Peace TULLOCH</td> <td>4/4</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>4/4</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>3/4</td> </tr> <tr> <td>KWAN Kai Cheong</td> <td>4/4</td> </tr> <tr> <td>Paul Joseph TIGHE</td> <td>4/4</td> </tr> <tr> <td>Donald Jeffrey ROBERTS*</td> <td>2/2</td> </tr> </tbody> </table> <p>* Appointed as an Independent Non-executive Director, members of the Audit Committee and the Nomination Committee with effect from 15 July 2020.</p> <ul style="list-style-type: none"> The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company’s Articles of Association. An updated and consolidated version of the Company’s Memorandum and Articles of Association (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”). The Company’s constitutional documents were amended during the year 2020. 	Members of the Board	Attendance	Executive Directors		Victor T K LI (<i>Chairman</i>)	4/4	KAM Hing Lam (<i>President</i>)	4/4	IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)	4/4	YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)	4/4	TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)	4/4	Non-executive Director		Peter Peace TULLOCH	4/4	Independent Non-executive Directors		KWOK Eva Lee	4/4	Colin Stevens RUSSEL	3/4	KWAN Kai Cheong	4/4	Paul Joseph TIGHE	4/4	Donald Jeffrey ROBERTS*	2/2
Members of the Board	Attendance																																
Executive Directors																																	
Victor T K LI (<i>Chairman</i>)	4/4																																
KAM Hing Lam (<i>President</i>)	4/4																																
IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)	4/4																																
YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)	4/4																																
TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)	4/4																																
Non-executive Director																																	
Peter Peace TULLOCH	4/4																																
Independent Non-executive Directors																																	
KWOK Eva Lee	4/4																																
Colin Stevens RUSSEL	3/4																																
KWAN Kai Cheong	4/4																																
Paul Joseph TIGHE	4/4																																
Donald Jeffrey ROBERTS*	2/2																																

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	<ul style="list-style-type: none"> All Directors are consulted as to whether they may wish to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	<ul style="list-style-type: none"> At least 14 days notice for regular board meetings. Reasonable notice for other board meetings. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings. At least 14 days formal notice would be given before each regular meeting.
A.1.4	Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	C	<ul style="list-style-type: none"> The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. Board and Board Committee minutes are sent to all Directors/Board Committee members within a reasonable time after each Board and Board Committee meeting. Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.
A.1.5	<ul style="list-style-type: none"> Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes for all directors to comment and to keep records within a reasonable time after the board meeting. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Directors are given an opportunity to comment on draft Board minutes. Final version of Board minutes is placed on record within a reasonable time after the Board meeting.
A.1.6	<ul style="list-style-type: none"> A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the company. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	C	<ul style="list-style-type: none"> The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided as appropriate.
A.2.4	<ul style="list-style-type: none"> The chairman to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary. 	<p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> The Chairman is an Executive Director who is responsible for the leadership and effective running of the Board. The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. The Board meets regularly and held meetings in March, May, August and November of 2020. With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues in a timely manner. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.
A.2.5	The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	C	<ul style="list-style-type: none"> The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	<ul style="list-style-type: none"> The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the company. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> Please refer to A.2.3 and A.2.4 above for the details.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.7	The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	C	<ul style="list-style-type: none"> In addition to regular Board meetings, the Chairman met with the Independent Non-executive Directors without the presence of other Directors in May and November of 2020. Please refer to A.2.2 above for the attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	C	<ul style="list-style-type: none"> The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time, where applicable, to update on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally. In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.
A.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	C	<ul style="list-style-type: none"> The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.
A.3	<p>Board composition</p> <p>Corporate Governance Principle</p> <p><i>The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i></p>		
A.3.1	Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	C	<ul style="list-style-type: none"> The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Director and the Independent Non-executive Directors, is disclosed in all corporate communications. The Board consists of a total of eleven Directors, comprising five Executive Directors, one Non-executive Director and five Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. Details of the composition of the Board are set out on page 170. The Directors' biographical information and the relationships among the Directors are set out on pages 28 to 31. Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3.2	The company should maintain on its website and on HKEx's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	<ul style="list-style-type: none"> The Company maintains on its website an updated list of its Directors identifying their respective roles and functions together with their biographical information, and whether they are independent non-executive directors. Since March 2012, the updated list of Directors has been posted on the website of HKEx which has been revised from time to time. The Company has also posted on its website and the website of HKEx the Terms of Reference of its Board Committees to enable the shareholders to understand the roles played by those Independent Non-executive Directors who serve on the relevant Board Committees.
A.4	Appointments, re-election and removal Corporate Governance Principle <i>There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.</i>		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election	C	<ul style="list-style-type: none"> All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the CG Code.
A.4.2	<ul style="list-style-type: none"> All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> In accordance with the Company's Articles of Association, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the Board) following their appointment. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the CG Code. The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has published on its website the procedures for shareholders to propose a person for election as a Director.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.2 (cont'd)			<ul style="list-style-type: none"> • In January 2019, the Company established a Director Nomination Policy which was modified in December 2020 to set out the approach and procedures the Board adopts for the nomination and selection of Directors of the Company, including the appointment of additional Directors, replacement Directors and re-election of Directors. • According to the Director Nomination Policy: <ol style="list-style-type: none"> 1. The Nomination Committee shall from time to time identify, assess, select and nominate suitable director candidates to the Board for it to consider for appointment. The ultimate responsibility for the selection and appointment of Directors rests with the Board as a whole. In the determination of the suitability of a candidate, the Nomination Committee shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity and such other factors that it may consider appropriate for a position on the Board. The Board will take into consideration the benefits of a diversified Board when selecting Board candidates. 2. If the Nomination Committee determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates. Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee shall consider and, if consider appropriate, make recommendation to the Board for its consideration, for such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules. Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Associations of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Company. • The Director Nomination Policy is available on the website of the Company. The Nomination Committee will from time to time review the Director Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices and makes recommendations on any proposed revisions as may be required to the Board for approval.
A.5.3	<p>– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.</p>	C	<ul style="list-style-type: none"> • The terms of reference of the Nomination Committee (both English and Chinese versions) are posted on the websites of the Company and HKEx. • The principal responsibilities of the Nomination Committee are: <ol style="list-style-type: none"> 1. to review at least once annually the structure, size, diversity profile and skills matrix of the Board and the needs of the Board and make recommendation on any proposed changes to the Board to complement the Board to achieve the Group corporate strategy as well as promote shareholder value; 2. to identify suitable director candidates and select or make recommendation to the Board on the selection of individuals to be nominated as Directors; 3. to assess the independence of independent non-executive Directors having regard to the criteria under the Listing Rules; 4. to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and 5. to review the Director Nomination Policy and the Board Diversity Policy of the Company periodically and make recommendation on any proposed revisions to the Board.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.4	<p>– The company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the company's expense, to perform its responsibilities.</p>	C	<ul style="list-style-type: none"> The Nomination Committee is empowered to seek any information they require from senior management of the Company in order to perform their duties and to have access to independent professional advice.
A.5.5	<p>Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:</p> <ol style="list-style-type: none"> the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent; if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; the perspectives, skills and experience that the individual can bring to the board; and how the individual contributes to diversity of the board. 	<p>C</p> <p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> Please refer to A.4.3 above for the details. The following information has been set out in the Company's circular to shareholders for the proposed resolution to elect an individual as an Independent Non-executive Director at the 2020 annual general meeting: <ol style="list-style-type: none"> the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why the Board considers the individual to be independent; if the proposed Independent Non-executive Director will be holding their seventh (or more), where applicable, listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; the perspectives, skills and experience that the individual can bring to the Board; and how the individual contributes to diversity of the Board.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																																				
A.6	Responsibilities of directors Corporate Governance Principle <i>Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.</i>																																						
A.6.1	Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the company's business and governance policies.	C	<ul style="list-style-type: none"> The Company Secretary and authorised officers liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint them with the duties and responsibilities as a Director of the Company and the business operation of the Company. Briefing meetings will be arranged with key officers of the Company for newly appointed Directors to provide an orientation on matters such as business operation, finance, accounting and risk management. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. During the year, the Company had arranged at the cost of the Company, Directors' seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Attendance certificates would be issued to Directors who had attended the seminar sessions and requested the said certificates. In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. 																																				
A.6.2	The functions of non-executive directors include: <ul style="list-style-type: none"> bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings; take the lead on potential conflicts of interests; serve on the audit, remuneration, nomination and other governance committees, if invited; and scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting. 	C C C	<ul style="list-style-type: none"> The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. Individual Independent Non-executive Directors serve on the different committees namely, audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee"), Nomination Committee and sustainability committee ("Sustainability Committee") of the Company. The table below provides membership information of these committees on which the Independent Non-executive Directors serve: <table border="1"> <thead> <tr> <th>Directors</th> <th>Board Committee</th> <th>Audit Committee</th> <th>Remuneration Committee*</th> <th>Nomination Committee*</th> <th>Sustainability Committee*</th> </tr> </thead> <tbody> <tr> <td>KWOK Eva Lee</td> <td></td> <td></td> <td>C</td> <td></td> <td></td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td></td> <td></td> <td>M</td> <td></td> <td></td> </tr> <tr> <td>KWAN Kai Cheong</td> <td></td> <td>C</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Paul Joseph TIGHE</td> <td></td> <td>M</td> <td></td> <td>C</td> <td>M</td> </tr> <tr> <td>Donald Jeffrey ROBERTS[^]</td> <td></td> <td>M</td> <td></td> <td>M</td> <td></td> </tr> </tbody> </table> <p>* also comprises other Board members / key personnel C Chairman/Chairperson of the relevant Board committees M Member of the relevant Board committees [^] Appointed as an Independent Non-executive Director, members of the Audit Committee and the Nomination Committee with effect from 15 July 2020.</p>	Directors	Board Committee	Audit Committee	Remuneration Committee*	Nomination Committee*	Sustainability Committee*	KWOK Eva Lee			C			Colin Stevens RUSSEL			M			KWAN Kai Cheong		C				Paul Joseph TIGHE		M		C	M	Donald Jeffrey ROBERTS [^]		M		M	
Directors	Board Committee	Audit Committee	Remuneration Committee*	Nomination Committee*	Sustainability Committee*																																		
KWOK Eva Lee			C																																				
Colin Stevens RUSSEL			M																																				
KWAN Kai Cheong		C																																					
Paul Joseph TIGHE		M		C	M																																		
Donald Jeffrey ROBERTS [^]		M		M																																			

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.3	Every director should ensure that he can give sufficient time and attention to the company's affairs and should not accept the appointment if he cannot do so.	C	<ul style="list-style-type: none"> • There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 above for the attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her area of knowledge and expertise, and his/her global perspective.
A.6.4	The board should establish written guidelines no less exacting than the Model Code for relevant employees.	C	<ul style="list-style-type: none"> • The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008 for replacing the comparable model code adopted by the Company while it was listed on the Growth Enterprise Market of the Stock Exchange. The Model Code has been revised and adopted by the Company from time to time to comply with the new requirements set out in Appendix 10 to the Listing Rules. • Confirmation has been received from all Directors that they complied with the required standards set out in the Model Code for the year ended 31 December 2020. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Human Resources Manual of the Company. • Since December 2011, the Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. Such policy has complied with the requirements set out in Part XIVA of the Securities and Futures Ordinance. The policy has been revised in July 2020 and such revised policy has been posted on the Company's intranet and disseminated to all employees of the Company.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																														
A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	C	<ul style="list-style-type: none"> • A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. • The Directors have provided to the Company their records of continuous professional development during the year 2020. • During the year, the Company had arranged at the cost of the Company, Directors' seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Attendance certificates would be issued to Directors who had attended the seminar sessions and requested the said certificates. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities. <p>The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:</p> <ol style="list-style-type: none"> 1. Reading memoranda issued or materials provided (for example, in-house directors' seminar) from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance; 2. Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and 3. Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. <ul style="list-style-type: none"> • Record of the Directors' training during 2020 are as follows: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Members of the Board</th> <th style="text-align: right;">Training received</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>KAM Hing Lam (<i>President</i>)</td> <td style="text-align: right;">(1) & (3)</td> </tr> <tr> <td>IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td colspan="2">Non-executive Director</td> </tr> <tr> <td>Peter Peace TULLOCH</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>KWAN Kai Cheong</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>Paul Joseph TIGHE</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>Donald Jeffrey ROBERTS*</td> <td style="text-align: right;">(1) & (3)</td> </tr> </tbody> </table> <p>* Appointed as an Independent Non-executive Director, members of the Audit Committee and Nomination Committee with effect from 15 July 2020.</p>	Members of the Board	Training received	Executive Directors		Victor T K LI (<i>Chairman</i>)	(1), (2) & (3)	KAM Hing Lam (<i>President</i>)	(1) & (3)	IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)	(1), (2) & (3)	YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)	(1), (2) & (3)	TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)	(1), (2) & (3)	Non-executive Director		Peter Peace TULLOCH	(1), (2) & (3)	Independent Non-executive Directors		KWOK Eva Lee	(1), (2) & (3)	Colin Stevens RUSSEL	(1), (2) & (3)	KWAN Kai Cheong	(1), (2) & (3)	Paul Joseph TIGHE	(1), (2) & (3)	Donald Jeffrey ROBERTS*	(1) & (3)
Members of the Board	Training received																																
Executive Directors																																	
Victor T K LI (<i>Chairman</i>)	(1), (2) & (3)																																
KAM Hing Lam (<i>President</i>)	(1) & (3)																																
IP Tak Chuen, Edmond (<i>Senior Vice President and Chief Investment Officer</i>)	(1), (2) & (3)																																
YU Ying Choi, Alan Abel (<i>Vice President and Chief Executive Officer</i>)	(1), (2) & (3)																																
TOH Kean Meng, Melvin (<i>Vice President and Chief Scientific Officer</i>)	(1), (2) & (3)																																
Non-executive Director																																	
Peter Peace TULLOCH	(1), (2) & (3)																																
Independent Non-executive Directors																																	
KWOK Eva Lee	(1), (2) & (3)																																
Colin Stevens RUSSEL	(1), (2) & (3)																																
KWAN Kai Cheong	(1), (2) & (3)																																
Paul Joseph TIGHE	(1), (2) & (3)																																
Donald Jeffrey ROBERTS*	(1) & (3)																																

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.6	Each director should disclose to the company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.	C	<ul style="list-style-type: none"> The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.
A.6.7	Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.	C	<ul style="list-style-type: none"> There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Independent Non-executive Directors and the annual general meeting during the year. Please refer to A.1.1, A.2.2, A.5.1, B.1.2, C.3.1 and E.1.2 for the attendance records. Extent of participation and contribution should be viewed both quantitatively and qualitatively.
A.6.8	Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	<ul style="list-style-type: none"> Please refer to A.6.7 above.
A.7	Supply of and access to information Corporate Governance Principle <i>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.</i>		
A.7.1	<ul style="list-style-type: none"> Send agenda and full board papers to all directors at least 3 days before a regular board or board committee meeting. As far as practicable for other board or board committee meetings. 	C C	<ul style="list-style-type: none"> Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.7.2	<ul style="list-style-type: none"> – Management has an obligation to supply the board and its committees with adequate and reliable information in a timely manner to enable it to make informed decisions. – The board and individual directors should have separate and independent access to the company's senior management for making further enquiries where necessary. 	C C	<ul style="list-style-type: none"> • The Company Secretary and the Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided, as appropriate.
A.7.3	<ul style="list-style-type: none"> – All directors are entitled to have access to board papers and related materials. – Queries raised by directors should receive a prompt and full response, if possible. 	C C	<ul style="list-style-type: none"> • Please refer to A.7.1 and A.7.2 above.
B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION			
B.1 The level and make-up of remuneration and disclosure			
Corporate Governance Principle			
<i>The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.</i>			
B.1.1	The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and should have access to independent professional advice if necessary.	C	<ul style="list-style-type: none"> • The Remuneration Committee has consulted the Chairman and/or the Chief Executive Officer about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. • The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, including the corporate philosophy in formulating employees' remuneration packages, and market trends and related information. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices								
B.1.2	<p>The remuneration committee's terms of reference should include:</p> <ul style="list-style-type: none"> – recommend to the board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; – review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives; – either to determine, with delegated responsibility, or to make recommendations to the board on the remuneration packages of individual executive directors and senior management; – recommend to the board on the remuneration of non-executive directors; – consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; – review and approve compensation payable on loss or termination of office or appointment; – review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and – ensure that no director or any of his associates is involved in deciding his own remuneration. 	C	<ul style="list-style-type: none"> • The Company established its Remuneration Committee on 1 January 2005. A majority of the members are Independent Non-executive Directors. • The Remuneration Committee comprises an Independent Non-executive Director, Mrs. Kwok Eva Lee (Chairperson of the Remuneration Committee), the Chairman, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Colin Stevens Russel. • The terms of reference of the Remuneration Committee follow closely the requirements of the CG Code. • The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors. • Since the publication of the Annual Report 2019 in April 2020, meeting of the Remuneration Committee was held in January 2021. Attendance record of the members of the Remuneration Committee is as follows: <table border="1" data-bbox="711 789 1471 900"> <thead> <tr> <th data-bbox="711 789 1333 815">Members of the Remuneration Committee</th> <th data-bbox="1333 789 1471 815">Attendance</th> </tr> </thead> <tbody> <tr> <td data-bbox="711 815 1333 840">KWOK Eva Lee (<i>Chairperson of the Remuneration Committee</i>)</td> <td data-bbox="1333 815 1471 840">1/1</td> </tr> <tr> <td data-bbox="711 840 1333 866">Victor T K LI</td> <td data-bbox="1333 840 1471 866">1/1</td> </tr> <tr> <td data-bbox="711 866 1333 891">Colin Stevens RUSSEL</td> <td data-bbox="1333 866 1471 891">1/1</td> </tr> </tbody> </table> • The following is a summary of the work of the Remuneration Committee during the said meeting: <ol style="list-style-type: none"> 1. Review the remuneration policy for 2020/2021; 2. Recommend to the Board the Company's policy and structure for the remuneration of Directors and the management; 3. Review the remuneration packages of Executive Directors and the management with reference to the established system of the Company for determining the remuneration review; 4. Review and approve the remuneration of Non-executive Directors; and 5. Review the annual bonus policy. • No Director or any of his/her associates was involved in deciding his/her own remuneration at the meetings of the Remuneration Committee held in January 2021. 	Members of the Remuneration Committee	Attendance	KWOK Eva Lee (<i>Chairperson of the Remuneration Committee</i>)	1/1	Victor T K LI	1/1	Colin Stevens RUSSEL	1/1
Members of the Remuneration Committee	Attendance										
KWOK Eva Lee (<i>Chairperson of the Remuneration Committee</i>)	1/1										
Victor T K LI	1/1										
Colin Stevens RUSSEL	1/1										

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.3	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.	C	<ul style="list-style-type: none"> The terms of reference of the Remuneration Committee (both English and Chinese versions) are posted on the websites of the Company and HKEx. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.
B.1.4	The remuneration committee should be provided with sufficient resources to perform its duties.	C	<ul style="list-style-type: none"> The Human Resources & Administration Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.
B.1.5	The company should disclose details of any remuneration payable to members of senior management by band in the annual reports.	C	<ul style="list-style-type: none"> The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
C. ACCOUNTABILITY AND AUDIT			
C.1 Financial reporting			
Corporate Governance Principle			
<i>The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</i>			
C.1.1	Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	C	<ul style="list-style-type: none"> Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.	C	<ul style="list-style-type: none"> Monthly updates had been provided to all members of the Board since April 2012, the effective date of code provision C.1.2, for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.3	<ul style="list-style-type: none"> – The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. – Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. – Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. 	<p>C</p> <p>C</p> <p>C</p> <p>N/A</p>	<ul style="list-style-type: none"> • The Directors acknowledged in writing on an annual basis their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the CG Code. • With the assistance of the Company's Finance Department which is under the supervision of the Chief Financial Officer who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report from pages 48 to 53.
C.1.4	The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the company's objectives.	C	<ul style="list-style-type: none"> • The Board has included the separate statement containing a discussion and analysis of the Group's Long Term Development Strategy in the Annual Report 2020.
C.1.5	The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	C	<ul style="list-style-type: none"> • The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of and updated with the requirements under the applicable rules and regulations about timely disclosure of inside information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2	Risk management and internal control Corporate Governance Principle <i>The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.</i>		
C.2.1	The board should oversee the company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the company's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in the Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	C	<ul style="list-style-type: none"> • The Board oversees the Group's overall risk management and internal control systems, through the Audit Committee, which has conducted an annual review over the effectiveness of the risk management and internal control systems of the Company and its subsidiaries and considers they are adequate and effective. The review covers all material controls, including financial, operational and compliance controls that have been in place. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal control as set forth in the CG Code. • The Board has overall responsibility for maintaining appropriate and effective risk management and internal control systems of the Group. The Group's risk management and internal control systems include a defined management structure with limits of authority, are designed to help identify and manage risks and internal control weaknesses at the Group for achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. <p>Organisational structure</p> <ul style="list-style-type: none"> • An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. <p>Authority and Control</p> <ul style="list-style-type: none"> • The relevant Executive Directors and Senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. <p>Budgetary Control and Financial Reporting</p> <ul style="list-style-type: none"> • Budgets are prepared and are subject to the approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. • Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations. <p>Internal Audit</p> <ul style="list-style-type: none"> • The Internal Audit Department reviews and assesses the adequacy and effectiveness of the Group's risk management and internal control systems over risk management process, financial, operational and compliance issues and information systems security. It provides an independent appraisal of the Group's financial and operational activities, and makes constructive recommendations to the relevant management for necessary actions. The results of risk management and internal audit reviews as well as corresponding risk mitigation controls and remedial actions taken are reported to the Senior management and Audit Committee periodically. The annual work plan of the Internal Audit Department focuses on those areas of the Group's activities with significant perceived risks and the plan is reviewed and endorsed by the Audit Committee.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.2	The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting, internal audit and financial reporting functions.	C	<ul style="list-style-type: none"> • The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions at the Board meeting held in March 2021 and noted that the Company has been in compliance with the Code Provision for the year 2020. Please also refer to C.3.3 below.
C.2.3	<p>The board's annual review should, in particular, consider:</p> <ol style="list-style-type: none"> 1. the changes, since the last annual review, in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment; 2. the scope and quality of management's ongoing monitoring of risks and of the internal control system, and where applicable, the work of its internal audit function and other assurance providers; 3. the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the company and the effectiveness of risk management; 4. significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or condition; and 5. the effectiveness of the company's processes for financial reporting and Listing Rule compliance. 	<p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> • The Board, through the Audit Committee, reviews annually the effectiveness of risk management and internal control systems of the Company and its subsidiaries, such review considers: <ul style="list-style-type: none"> – the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment; – the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function; – the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management; – any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and – the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4	<p>The company should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:</p> <ol style="list-style-type: none"> 1. the process used to identify, evaluate and manage significant risks; 2. the main features of the risk management and internal control systems; 	<p style="text-align: center;">C</p> <p style="text-align: center;">C</p>	<ul style="list-style-type: none"> • The Group's overall risk management process is overseen by the Board through the Audit Committee as an element of solid corporate governance. The Group has an Enterprise Risk Management (ERM) framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach to the management of risks within the Group, coupled with a strong internal control environment, enabling the Group to effectively manage the risks that it faces, be they strategic, financial, operational or compliance. • "Top down and bottom up" approach on identifying, evaluating and managing significant risks faced by the Group is adopted to populate the Group risk register for reporting to Audit Committee. Under this "top-down and bottom-up" approach, it involves input from each key operating business unit as well as discussion and reviews by the Senior management. More specifically, on a half-yearly basis, each key operating business unit is required to formally identify and assesses the risks, and has them recorded in the form of a risk register. Mitigation measures and plan are also registered to facilitate review and tracking of progress. Senior management executes a robust and holistic top-down review on all the significant risks that the Group faces. • Risk management and internal control features are embedded within the Group's operations and functional areas and the Group's risk management and internal control systems are practised on a day-to-day basis and carried out at all levels of the Group. • The Group's governance structure, comprising the Board, Audit Committee, Senior management, Management of key operating business units and Internal Audit Department has been established with defined roles and responsibilities to enhance the Board's ability to exercise proper oversight. Under this structure, the Board has overall responsibility for the Group's risk management and internal control systems. Audit Committee assists the Board to ensure appropriate and effective risk management and internal control systems have been maintained and to oversee the management in the design, implementation and monitoring of these systems. Senior management and Management of key operating business units are primarily responsible for the design, implementation and monitoring of risk management and internal control systems. Internal Audit Department supports the Audit Committee in reviewing the adequacy and effectiveness of these systems. • There is ongoing dialogue between the Senior management and the Management of key operating business unit about current and emerging risks, their possible impact and mitigation measures. These measures include instituting additional controls and safeguards, and deploying appropriate insurance instruments to transfer or minimise the financial impact or risks.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4 (cont'd)	3. an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing its effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;	C	<ul style="list-style-type: none"> The Board acknowledges that it is its responsibility to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.
	4. the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and	C	<ul style="list-style-type: none"> In relation to the Group's "top-down and bottom-up" risk review process, every six months, Management of key operating business units are required to submit their own risk register to Senior management for aggregation. These risk registers identified all material risks, rated risk level based on the Group's risk rating criteria and summarised mitigation controls implemented. Through filtering and prioritisation processes, a group risk register is compiled on a half yearly basis, which forms part of the Risk Management Report submitted to Audit Committee for review, monitoring and assessment of adequacy and effectiveness of the Group's risk management system. Also, significant risks are being continuously monitored, reviewed and re-assessed by Senior management through regular management meeting, review of monthly management reports and escalation of material risk issues. The Group's key risks, which could affect the Group's financial condition or results of operations so that they differ materially from expected or historical results, can be found in the "Risk Factors" section of this Annual Report. With regards to the internal control systems of the Group, Management of key operating business units conduct an internal control self-assessment half-yearly and submit relevant control self-assessment questionnaires and confirmation to Senior management to confirm that appropriate internal control policies and procedures have been established and properly complied with. Risk-based audits are carried out by Internal Audit Department over the Group's subsidiaries to provide reasonable assurance that adequate controls are in place and operating and necessary improvement measures are implemented. Audit findings and risk concerns are raised to responsible management for rectification with significant items being formally reported to the Audit Committee every a half year for assessment of adequacy and effectiveness of the Group's risk management and internal control systems.
	5. the procedures and internal controls for the handling and dissemination of inside information.	C	<ul style="list-style-type: none"> Regarding the procedures and internal controls for the handling and dissemination of inside information, the Group: <ul style="list-style-type: none"> is well aware of its statutory and regulatory obligations to announce any inside information; makes reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission in June 2012; has implemented policies and procedures which strictly prohibit unauthorised use of confidential information and insider trading, and has communicated them to all staff; and requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.5	The company should have an internal audit function. The company without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	C	<ul style="list-style-type: none"> Internal audit function is in place; please refer to C.2.1 above for details.
C.3	<p>Audit Committee</p> <p>Corporate Governance Principle</p> <p><i>The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.</i></p>		
C.3.1	<ul style="list-style-type: none"> Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes should be sent to all committee members for their comment and records, within a reasonable time after the meeting. 	C C	<ul style="list-style-type: none"> Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.
C.3.2	A former partner of existing auditing firm shall not act as a member of the audit committee for two years from the date of his ceasing to be a partner of or to have any financial interest in, the firm, whichever is later.	C	<ul style="list-style-type: none"> No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the two years after he/she ceases to be a partner of the auditing firm. The terms of reference of the Audit Committee were revised with effect from 1 January 2019 to comply with the new requirement under the Listing Rules for prohibiting a former partner of the Company's existing auditing firm from acting as a member of Audit Committee for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices										
C.3.3	<p>The audit committee's terms of reference should include:</p> <ul style="list-style-type: none"> – recommendations to the board on the appointment, reappointment and removal of external auditor and approval of their terms of engagement; – review and monitor external auditor's independence and objectivity and effectiveness of audit process; – to develop and implement policy on engaging an external auditor to supply non-audit services; – review of the company's financial information; and – oversight of the company's financial reporting system, risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function. 	C	<ul style="list-style-type: none"> • The terms of reference of the Audit Committee follow closely the requirements of the CG Code. • Audit Committee meetings were held in March, August and November of 2020. Attendance records of members of the Audit Committee are as follows: <table border="1" data-bbox="711 517 1464 651"> <thead> <tr> <th data-bbox="711 517 1338 544">Members of the Audit Committee</th> <th data-bbox="1338 517 1464 544">Attendance</th> </tr> </thead> <tbody> <tr> <td data-bbox="711 544 1338 574">KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)</td> <td data-bbox="1338 544 1464 574">3/3</td> </tr> <tr> <td data-bbox="711 574 1338 604">Colin Stevens RUSSEL*</td> <td data-bbox="1338 574 1464 604">0/1</td> </tr> <tr> <td data-bbox="711 604 1338 634">Paul Joseph TIGHE</td> <td data-bbox="1338 604 1464 634">3/3</td> </tr> <tr> <td data-bbox="711 634 1338 663">Donald Jeffrey ROBERTS**</td> <td data-bbox="1338 634 1464 663">2/2</td> </tr> </tbody> </table> <ul style="list-style-type: none"> * Retired as a member of Audit Committee with effect from 15 July 2020. ** Appointed as a member of Audit Committee with effect from 15 July 2020. • The following is a summary of the work of the Audit Committee during 2020: <ol style="list-style-type: none"> 1. Review the financial reports for 2019 annual results and 2020 interim results; 2. Review the findings and recommendations of the Internal Audit Department on the work of various divisions/departments and related companies; 3. Review the effectiveness of the risk management and internal control systems; 4. Review the external auditor's audit findings; 5. Review the external auditor's remuneration; 6. Review the risks of different business units and analysis thereof provided by the relevant business units; 7. Review the control mechanisms for such risks and advising on action plans for improvement of the situations; 8. Review the arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and 9. Perform the corporate governance functions and review the corporate governance policies and practices. • After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 16 March 2021 that the risk management and internal control systems were adequate and effective. • On 16 March 2021, the Audit Committee met to review the Group's 2020 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the Annual Report 2020 complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31 December 2020. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2021 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2021 annual general meeting. • The Group's Annual Report 2020 has been reviewed by the Audit Committee. 	Members of the Audit Committee	Attendance	KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)	3/3	Colin Stevens RUSSEL*	0/1	Paul Joseph TIGHE	3/3	Donald Jeffrey ROBERTS**	2/2
Members of the Audit Committee	Attendance												
KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)	3/3												
Colin Stevens RUSSEL*	0/1												
Paul Joseph TIGHE	3/3												
Donald Jeffrey ROBERTS**	2/2												

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.	DELEGATION BY THE BOARD		
D.1	Management functions		
	Corporate Governance Principle		
	<i>The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.</i>		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the company's behalf.	C	<ul style="list-style-type: none"> Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. Please refer to the Management Structure Chart set out on page 162. For matters or transactions of a material nature, the same will be referred to the Board for approval. For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements periodically to ensure that they remain appropriate to the company's needs.	C	<ul style="list-style-type: none"> The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Under the leadership of the Chief Executive Officer, management is responsible for the day-to-day operations of the Group.
D.1.3	The company should disclose the respective responsibilities, accountabilities and contributions of the board and management.	C	<ul style="list-style-type: none"> Please refer to the Management Structure Chart set out on page 162.
D.1.4	Directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	C	<ul style="list-style-type: none"> In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.
D.2	Board Committees		
	Corporate Governance Principle		
	<i>Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i>		
D.2.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	C	<ul style="list-style-type: none"> Five Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee, Sustainability Committee and Executive Committee have been established with specific terms of reference.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.2.2	The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	C	<ul style="list-style-type: none"> • Board Committees report to the Board of their decisions and recommendations at the Board meetings.
D.3 Corporate Governance Functions			
D.3.1	<p>The terms of reference of the board (or a committee or committees performing this function) should include:</p> <ul style="list-style-type: none"> – develop and review the company's policies and practices on corporate governance and make recommendations to the board; – review and monitor the training and continuous professional development of directors and senior management; – review and monitor the company's policies and practices on compliance with legal and regulatory requirements; – develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and – review the company's compliance with the CG Code and disclosure in the Corporate Governance Report. 	C	<ul style="list-style-type: none"> • The terms of reference of the Audit Committee were revised with effect from 1 January 2012 to include the following corporate governance functions delegated by the Board: <ol style="list-style-type: none"> 1. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; 2. Review and monitor the training and continuous professional development of Directors and senior management; 3. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; 4. Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and 5. Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. • At the Audit Committee's meeting held in March 2021, the Audit Committee was satisfied that the above-mentioned corporate governance functions were adhered to, and members of the Audit Committee had examined the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements, including: <ol style="list-style-type: none"> 1. Anti-Fraud and Anti-Bribery Policy; 2. Anti-Money Laundering Policy; 3. Board Diversity Policy; 4. Competition Compliance Policy; 5. Director Nomination Policy; 6. Employee Code of Conduct; 7. Information Security Policy; 8. Media and Public Engagement and Donation Policy; 9. Model Code for Securities Transactions by Directors; 10. Policy on Appointment of Third Party Representatives; 11. Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing; 12. Privacy Policy and Personal Information Collection Statement; 13. Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters; 14. Sanctions Compliance Policy; and 15. Shareholders Communication Policy.
D.3.2	The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	C	<ul style="list-style-type: none"> • The Board has delegated the responsibility of performing the corporate governance duties to the Audit Committee. To that effect, the terms of reference of the Audit Committee as set out in D.3.1 above were revised with effect from 1 January 2012 to include the corporate governance functions delegated by the Board.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																														
E.	COMMUNICATION WITH SHAREHOLDERS																																
E.1	Effective communication																																
	Corporate Governance Principle																																
	<i>The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</i>																																
E.1.1	For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the company should explain the reasons and material implications in the notice of meeting.	C	<ul style="list-style-type: none"> Separate resolutions are proposed at the general meetings of the Company for each substantially separate issue, including the election of individual Directors. 																														
E.1.2	<ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. 	<p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> In 2020, the Chairman, the Chairman of each of the Audit Committee, Remuneration Committee and the Nomination Committee attended the 2020 annual general meeting and were available to answer questions. Directors' attendance record of the 2020 annual general meeting are as follows: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman and Chairman[^] of the Nomination Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>KAM Hing Lam</td> <td>1/1</td> </tr> <tr> <td>IP Tak Chuen, Edmond^{^^^} (<i>Chairman of the Sustainability Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>YU Ying Choi, Alan Abel</td> <td>1/1</td> </tr> <tr> <td>TOH Kean Meng, Melvin</td> <td>1/1</td> </tr> <tr> <td colspan="2">Non-executive Director</td> </tr> <tr> <td>Peter Peace TULLOCH[*]</td> <td>1/1</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>KWOK Eva Lee[*] (<i>Chairperson of the Remuneration Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>Colin Stevens RUSSEL[*]</td> <td>1/1</td> </tr> <tr> <td>KWAN Kai Cheong[*] (<i>Chairman of the Audit Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>Paul Joseph TIGHE^{*@}</td> <td>1/1</td> </tr> <tr> <td>Donald Jeffrey ROBERTS^{^^}</td> <td>N/A</td> </tr> </tbody> </table> [*] By video conference [^] Re-designated as member of the Nomination Committee with effect from 1 December 2020. [@] Re-designated as Chairman of the Nomination Committee with effect from 1 December 2020. ^{^^} Appointed as an Independent Non-executive Director, members of the Audit Committee and the Nomination Committee with effect from 15 July 2020. No annual general meeting was held during the term of his appointment in 2020. ^{^^^} Appointed as the Chairman of the Sustainability Committee since its establishment on 1 December 2020. In 2020, the Company's external auditor attended the annual general meeting and was available to answer questions. 	Members of the Board	Attendance	Executive Directors		Victor T K LI (<i>Chairman and Chairman[^] of the Nomination Committee</i>)	1/1	KAM Hing Lam	1/1	IP Tak Chuen, Edmond ^{^^^} (<i>Chairman of the Sustainability Committee</i>)	1/1	YU Ying Choi, Alan Abel	1/1	TOH Kean Meng, Melvin	1/1	Non-executive Director		Peter Peace TULLOCH [*]	1/1	Independent Non-executive Directors		KWOK Eva Lee [*] (<i>Chairperson of the Remuneration Committee</i>)	1/1	Colin Stevens RUSSEL [*]	1/1	KWAN Kai Cheong [*] (<i>Chairman of the Audit Committee</i>)	1/1	Paul Joseph TIGHE ^{*@}	1/1	Donald Jeffrey ROBERTS ^{^^}	N/A
Members of the Board	Attendance																																
Executive Directors																																	
Victor T K LI (<i>Chairman and Chairman[^] of the Nomination Committee</i>)	1/1																																
KAM Hing Lam	1/1																																
IP Tak Chuen, Edmond ^{^^^} (<i>Chairman of the Sustainability Committee</i>)	1/1																																
YU Ying Choi, Alan Abel	1/1																																
TOH Kean Meng, Melvin	1/1																																
Non-executive Director																																	
Peter Peace TULLOCH [*]	1/1																																
Independent Non-executive Directors																																	
KWOK Eva Lee [*] (<i>Chairperson of the Remuneration Committee</i>)	1/1																																
Colin Stevens RUSSEL [*]	1/1																																
KWAN Kai Cheong [*] (<i>Chairman of the Audit Committee</i>)	1/1																																
Paul Joseph TIGHE ^{*@}	1/1																																
Donald Jeffrey ROBERTS ^{^^}	N/A																																

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.1.3	The company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	C	<ul style="list-style-type: none"> • The Company's notice to shareholders for the 2020 annual general meeting of the Company was sent at least 20 clear business days before the meeting.
E.1.4	The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	C	<ul style="list-style-type: none"> • In March 2012, the Board established a shareholders communication policy and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness. • The particulars of shareholders' rights relating to, inter alia, convening of extraordinary general meetings and making enquiries to the Company are as follows: <ol style="list-style-type: none"> 1. The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Articles of Association of the Company ("Articles") set out the rights of shareholders. 2. Any two or more shareholders holding not less than one-tenth of the paid-up capital of the Company or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Articles, request the Board to convene an extraordinary general meeting pursuant to Article 72 of the Articles. The objects of the meeting must be stated in the written requisition which must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal. 3. Pursuant to Article 120 of the Articles, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice of his/her intention to propose such person for election as a Director with the Company Secretary during a period, as may from time to time be designated by the Company, of at least seven days, which shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director. 4. In conducting a poll, subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for each share registered in his/her/its name in the register. On a poll a shareholder entitled to more than one vote is under no obligation to cast all his/her votes in the same way. 5. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Article 167 of the Articles. 6. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications. 7. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																																										
E.1.5	The issuer should have a policy on payment of dividends and should disclose it in the annual report.	C	<ul style="list-style-type: none"> The Company adopted the Dividend Policy with effect from January 2019 whereby the Board is committed to maintaining an optimal capital structure. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, and market opportunities, the Board aims to deliver a sustainable dividend that is in line with the earnings improvements and long-term growth of the Company. 																																										
E.2	Voting by poll Corporate Governance Principle <i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i>																																												
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	C	<ul style="list-style-type: none"> At the 2020 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders. At the 2020 annual general meeting, the Chairman of the meeting exercised his power under the Company's Articles of Association to put each resolution set out in the notice to be voted by way of a poll. Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the 2020 annual general meeting. Since the Company's 2004 annual general meeting, all the resolutions (other than procedural or administrative resolutions) put to vote at the Company's general meetings were taken by poll. The percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 14 May 2020 are set out below: <table border="1"> <thead> <tr> <th colspan="2">Resolutions proposed at the 2020 Annual General Meeting</th> <th>Percentage of Votes</th> </tr> </thead> <tbody> <tr> <td colspan="3">Ordinary Resolutions</td> </tr> <tr> <td>1</td> <td>To receive the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2019.</td> <td>99.999492%</td> </tr> <tr> <td>2</td> <td>To declare a final dividend.</td> <td>99.999492%</td> </tr> <tr> <td>3(1)</td> <td>To elect Mr. Kam Hing Lam as Director.</td> <td>99.976964%</td> </tr> <tr> <td>3(2)</td> <td>To elect Mr. Yu Ying Choi, Alan Abel as Director.</td> <td>99.382117%</td> </tr> <tr> <td>3(3)</td> <td>To elect Mr. Peter Peace Tulloch as Director.</td> <td>99.965880%</td> </tr> <tr> <td>3(4)</td> <td>To elect Mr. Paul Joseph Tighe as Director.</td> <td>99.999492%</td> </tr> <tr> <td>4</td> <td>To appoint Messrs. Deloitte Touche Tohmatsu as Auditor and authorise the Directors to fix their remuneration.</td> <td>99.999409%</td> </tr> <tr> <td>5(1)</td> <td>To give a general mandate to the Directors to issue additional shares of the Company.</td> <td>99.338233%</td> </tr> <tr> <td>5(2)</td> <td>To give a general mandate to the Directors to buy back shares of the Company.</td> <td>99.999409%</td> </tr> <tr> <td>5(3)</td> <td>To extend the general mandate granted to the Directors pursuant to Ordinary Resolution No. 5(1) to issue additional shares of the Company.</td> <td>99.337985%</td> </tr> <tr> <td colspan="3">Special Resolution</td> </tr> <tr> <td>6</td> <td>To approve the amendments to the Company's Articles of Association.</td> <td>99.999409%</td> </tr> </tbody> </table> <p>Accordingly, all resolutions put to shareholders at the 2020 annual general meeting were duly passed as ordinary resolutions and special resolutions respectively. Poll results were posted on the websites of the Company and HKEx.</p>	Resolutions proposed at the 2020 Annual General Meeting		Percentage of Votes	Ordinary Resolutions			1	To receive the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2019.	99.999492%	2	To declare a final dividend.	99.999492%	3(1)	To elect Mr. Kam Hing Lam as Director.	99.976964%	3(2)	To elect Mr. Yu Ying Choi, Alan Abel as Director.	99.382117%	3(3)	To elect Mr. Peter Peace Tulloch as Director.	99.965880%	3(4)	To elect Mr. Paul Joseph Tighe as Director.	99.999492%	4	To appoint Messrs. Deloitte Touche Tohmatsu as Auditor and authorise the Directors to fix their remuneration.	99.999409%	5(1)	To give a general mandate to the Directors to issue additional shares of the Company.	99.338233%	5(2)	To give a general mandate to the Directors to buy back shares of the Company.	99.999409%	5(3)	To extend the general mandate granted to the Directors pursuant to Ordinary Resolution No. 5(1) to issue additional shares of the Company.	99.337985%	Special Resolution			6	To approve the amendments to the Company's Articles of Association.	99.999409%
Resolutions proposed at the 2020 Annual General Meeting		Percentage of Votes																																											
Ordinary Resolutions																																													
1	To receive the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2019.	99.999492%																																											
2	To declare a final dividend.	99.999492%																																											
3(1)	To elect Mr. Kam Hing Lam as Director.	99.976964%																																											
3(2)	To elect Mr. Yu Ying Choi, Alan Abel as Director.	99.382117%																																											
3(3)	To elect Mr. Peter Peace Tulloch as Director.	99.965880%																																											
3(4)	To elect Mr. Paul Joseph Tighe as Director.	99.999492%																																											
4	To appoint Messrs. Deloitte Touche Tohmatsu as Auditor and authorise the Directors to fix their remuneration.	99.999409%																																											
5(1)	To give a general mandate to the Directors to issue additional shares of the Company.	99.338233%																																											
5(2)	To give a general mandate to the Directors to buy back shares of the Company.	99.999409%																																											
5(3)	To extend the general mandate granted to the Directors pursuant to Ordinary Resolution No. 5(1) to issue additional shares of the Company.	99.337985%																																											
Special Resolution																																													
6	To approve the amendments to the Company's Articles of Association.	99.999409%																																											

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
F. COMPANY SECRETARY			
Corporate Governance Principle			
<i>The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and should also facilitate induction and professional development of Directors.</i>			
F.1.1	The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.	C	<ul style="list-style-type: none"> • The Company has appointed an employee of the Company to be the Company Secretary of the Company since 2002. The Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements under the Listing Rules for the year ended 31 December 2020. • The Company Secretary ensures the effective conduct of Board meetings and that Board procedures are duly followed. • The Company Secretary prepares written resolutions and minutes as appropriate and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. • The Company Secretary advises the Board from time to time on compliance with all applicable laws, rules and regulations in relation to the investments of the Group and keeps the Board abreast of relevant legislative, regulatory and corporate governance developments.
F.1.2	The board should approve the selection, appointment or dismissal of the company secretary.	C	<ul style="list-style-type: none"> • The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Articles of Association of the Company.
F.1.3	The company secretary should report to the board chairman and/or the chief executive.	C	<ul style="list-style-type: none"> • The Company Secretary reports to the Board through the Chairman whilst all members of the Board have access to the advice of the Company Secretary.
F.1.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	C	<ul style="list-style-type: none"> • Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memoranda are issued and other resources (such as the Stock Exchange's webcast on corporate governance) are relayed and directors' training are arranged to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

Corporate Governance Report (Cont'd)

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.	DIRECTORS		
A.1	<p>The Board</p> <p>Corporate Governance Principle</p> <p><i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.</i></p> <p><i>The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</i></p>		
There is no recommended best practice under Section A.1 in the CG Code.			
A.2	<p>Chairman and Chief Executive</p> <p>Corporate Governance Principle</p> <p><i>There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.</i></p>		
There is no recommended best practice under Section A.2 in the CG Code.			
A.3	<p>Board composition</p> <p>Corporate Governance Principle</p> <p><i>The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i></p>		
A.3.3	The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.	C	<ul style="list-style-type: none"> The Board considered that cross-directorships should not be regarded as having significant links with other directors and cross-directorships would not compromise the independence of the Company's Independent Non-executive Directors since they are professionals with high esteem and integrity, experts in their specific field with wide spectrum of skills and experience, and financially independent.
A.4	<p>Appointments, re-election and removal</p> <p>Corporate Governance Principle</p> <p><i>There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.</i></p>		
There is no recommended best practice under Section A.4 in the CG Code.			
A.5	<p>Nomination Committee</p> <p>Corporate Governance Principle</p> <p><i>In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.</i></p>		
There is no recommended best practice under Section A.5 in the CG Code.			
A.6	<p>Responsibilities of directors</p> <p>Corporate Governance Principle</p> <p><i>Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.</i></p>		
There is no recommended best practice under Section A.6 in the CG Code.			

Corporate Governance Report (Cont'd)

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.7	<p>Supply of and access to information</p> <p>Corporate Governance Principle</p> <p><i>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.</i></p>		
There is no recommended best practice under Section A.7 in the CG Code.			
B.	REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION		
B.1	<p>The level and make-up of remuneration and disclosure</p> <p>Corporate Governance Principle</p> <p><i>The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.</i></p>		
B.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	<ul style="list-style-type: none"> The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
B.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	C	<ul style="list-style-type: none"> In 2020, a significant proportion of Executive Directors' remuneration has been structured to link rewards to corporate and individual performance. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.8	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.	C	<ul style="list-style-type: none"> The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 33 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
B.1.9	The board should conduct a regular evaluation of its performance.	E	<ul style="list-style-type: none"> The performance of the Board is best reflected by the Company's results during the year.

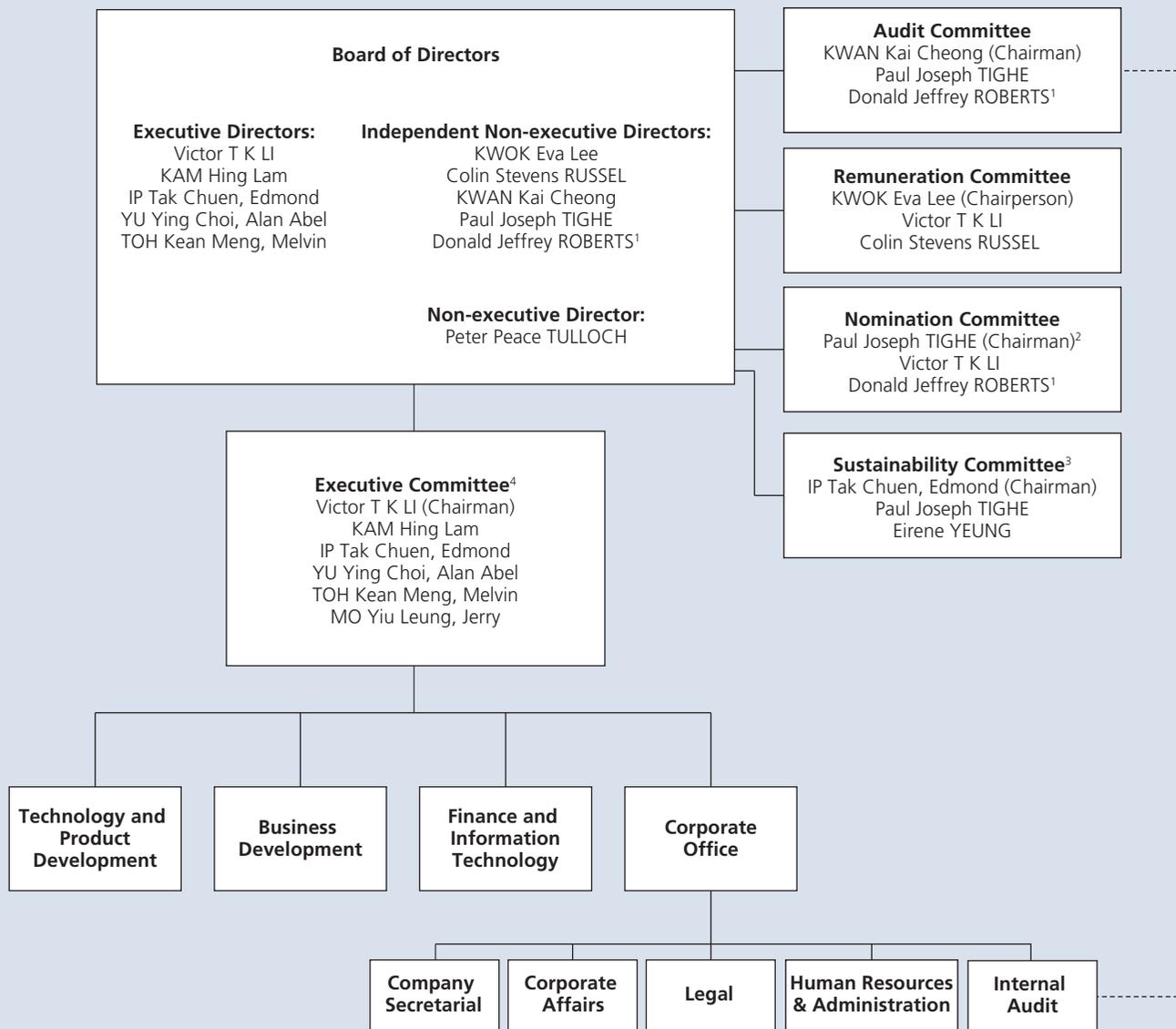
Corporate Governance Report (Cont'd)

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C. ACCOUNTABILITY AND AUDIT			
C.1 Financial reporting			
Corporate Governance Principle			
<i>The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</i>			
C.1.6 – C.1.7	<ul style="list-style-type: none"> – The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the company's performance, financial position and prospects. The company's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts. – Once the company announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision. 	E	<ul style="list-style-type: none"> • The Company issued half-yearly financial results within 2 months after the end of the relevant period, and annual financial results within 3 months after the end of the relevant year. In addition, all significant transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders. • Please refer to C.1.6 above for details.
C.2 Risk Management and internal control			
Corporate Governance Principle			
<i>The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal controls systems, and management should provide a confirmation to the Board on the effectiveness of these systems.</i>			
C.2.6	The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the company's risk management and internal control systems.	C	<ul style="list-style-type: none"> • Management provides reports to Audit Committee to confirm the effectiveness of existing risk management and internal control systems of the Group.
C.2.7	The board may disclose in the Corporate Governance Report details of any significant areas of concern.	C	<ul style="list-style-type: none"> • Please refer to C.2.1 for details.

Corporate Governance Report (Cont'd)

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3	<p>Audit Committee</p> <p>Corporate Governance Principle</p> <p><i>The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.</i></p>		
C.3.8	The audit committee should establish a whistleblowing policy and system for employees and those who deal with the company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the company.	C	<ul style="list-style-type: none"> Please refer to C.3.7 above for the details.
D.	DELEGATION BY THE BOARD		
D.1	<p>Management functions</p> <p>Corporate Governance Principle</p> <p><i>The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.</i></p>		
There is no recommended best practice under Section D.1 in the CG Code.			
D.2	<p>Board Committees</p> <p>Corporate Governance Principle</p> <p><i>Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i></p>		
There is no recommended best practice under Section D.2 in the CG Code.			
D.3	Corporate Governance Functions		
There is no recommended best practice under Section D.3 in the CG Code.			
E.	COMMUNICATION WITH SHAREHOLDERS		
E.1	<p>Effective communication</p> <p>Corporate Governance Principle</p> <p><i>The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</i></p>		
There is no recommended best practice under Section E.1 in the CG Code.			
E.2	<p>Voting by poll</p> <p>Corporate Governance Principle</p> <p><i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i></p>		
There is no recommended best practice under Section E.2 in the CG Code.			
F.	COMPANY SECRETARY		
	<p>Corporate Governance Principle</p> <p><i>The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and should also facilitate induction and professional development of Directors.</i></p>		
There is no recommended best practice under Section F in the CG Code.			

MANAGEMENT STRUCTURE CHART



Notes:

1. Appointed on 15 July 2020
2. Appointed as Chairman of the Nomination Committee on 1 December 2020
3. Established on 1 December 2020
4. Established on 26 February 2021

Risk Factors

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

GLOBAL ECONOMY

The ongoing COVID-19 pandemic and associated community shutdowns have a widespread and severe impact on worldwide economic activity. The uncertainties arising from the pandemic, including the length of the pandemic, the efficacy and availability of vaccines and the extent of production and business disruptions, may significantly worsen the global economic recovery and outlook. Trade frictions between the United States and certain major nations, uncertainties following Brexit, the fluctuation of the US dollar against major currencies, the increasing geopolitical tensions as well as the volatility of oil prices, all have created uncertainties in the world economy and global financial market. A severe slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group has investments in different countries and cities around the world. Any adverse economic conditions in those countries and cities in which the Group operates may potentially impact on the Group's businesses, financial conditions or results of operations, asset value and liabilities.

OUTBREAK OF HIGHLY CONTAGIOUS DISEASE

The continuing COVID-19 pandemic in different parts of the world, including the places of businesses at which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, behavioral change, weakened sentiment in consumption, restricted labour supply and production and confidence effects, in addition to travel restrictions. Although COVID-19 vaccines have been developed and large-scale vaccination programmes have been launched by certain countries, the situation of this highly infectious disease is still evolving. The heightened uncertainties surrounding the pandemic (including the spread of new COVID-19 variants) may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

HIGHLY COMPETITIVE MARKETS

The Group's principal business operations face significant competition and rapid technological change across the markets in which they operate. New market entrants, intensified price competition among existing competitors, possible substitution of imports for locally manufactured products and the acceptability of the Group's products by the market could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. Likewise, product innovation and technical advancement may render the Group's existing and potential applications and products and its own research and development efforts obsolete or non-competitive.

Risk Factors (Cont'd)

RESEARCH AND DEVELOPMENT

Research and development conducted by the Group is a lengthy and expensive process involving a lot of trial testing in order to demonstrate that the products are effective and safe for commercial sale. Successful results in the early stage of the trial process may, upon further review, be revised or negated by regulatory authorities or by later stage trial results and there is no assurance that any of the research and development activities will produce positive results. There may be challenges in patient recruitment for the necessary trials, for example, in terms of the ability to recruit the necessary number of appropriate patients and the speed of enrollment to achieve the standard needed. There is no assurance of adequate funding to complete the trials required for regulatory approval. The regulatory authorities may also impose additional trials or other requirements before approval for commercial sale.

In addition, recruiting and retaining qualified scientific personnel to perform research and development work will be critical to the success of the Group and there can be no assurance that the Group will be able to attract and retain such personnel on acceptable terms given the competition for experienced scientists from numerous specialised biotechnology firms, pharmaceutical and chemical companies, universities and other research institutions. Failure to recruit and retain such skilled personnel could delay the research and development and product commercialisation programs of the Group.

Some of the Group's operations are subject to extensive and rigorous government regulations relating to the development, testing, manufacture, safety, efficacy, record-keeping, labeling, storage, approval, advertising, promotion and sale and distribution of the products. The regulatory review and approval process (which requires the submission of extensive data and supporting information to establish the products' safety, efficacy and potency) can be lengthy, expensive and uncertain and there can be no assurance that any of the Group's products will be approved for marketing and sale. The policies or administrative standards of the relevant regulatory bodies may change from time to time and there can be no assurance that products that have been approved for marketing and sale do not need to be recalled at a later stage in order to comply with subsequent new requirements.

INTELLECTUAL PROPERTY

The success of the Group will depend in part on whether it is able to obtain and enforce patent protection for its products and processes. No assurance can be given as to whether patent rights may be granted to the Group and that the patents granted will be sufficiently broad in their scope to provide protection and exclude competitors with similar products. Even when granted the patents may still be susceptible to revocation or attack by third parties. It is also not possible to determine with certainty whether there are any conflicting third party rights which may affect the Group's current commercial strategy and intellectual property portfolios. The Group may become involved in litigation in enforcing its intellectual property rights and/or be sued by third parties for alleged infringement and the result of such litigation is difficult to predict and may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

INDUSTRY TRENDS AND INTEREST RATES

The trends in the industries in which the Group operates, including market sentiment and conditions, the consumption power of the general public, mark to market value of investment securities, the currency environment and interest rate cycles, may pose significant risks to the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

LOAN RENEWAL AND REFINANCING

The Group is partially financed by loans from banks and other sources. These loans have fixed terms and are subject to renewal or refinancing upon maturity. The success or otherwise in renewal or refinancing of the loans will affect the liquidity of the Group.

RISK OF ASSET IMPAIRMENT

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in profit or loss. The result of the Group will be affected by such asset impairment tests which are carried out at the end of each reporting period.

CURRENCY FLUCTUATIONS

The results of the Group are recorded in Hong Kong dollars but its various subsidiaries and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or potential income, asset value and liabilities. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

FLUCTUATIONS IN TREASURY INVESTMENT VALUATION

The Group invests in various listed and unlisted entities, which are carried on the balance sheet at fair value. The performance of the Group is therefore subject to the change in the fair value of these investments.

Risk Factors (Cont'd)

CYBERSECURITY

With the fast expanding adoption of internet and networking operational technology, cyberattacks around the world are occurring at a higher frequency and intensity. The Group's information assets are exposed to attack, damage or unauthorised access in the cyberworld. Cybersecurity risks could have material adverse effect on the operational and business performance, as well as the business reputation of the Group.

Although the Group has not experienced any major damage to its projects, assets or activities from cyberattacks to date, there can be no assurance that future cyberattacks or breaches of the Group's cybersecurity will not occur and result in significant impact on the Group's reputation, business, results of operations and financial conditions.

STRATEGIC PARTNERS

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint ventures, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

The local business risks in different countries and cities in which the Group operates could have a material impact on the businesses, financial conditions, results of operations or growth prospects. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new guidelines, directives, policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit, which may have an impact on the Group's businesses, financial conditions, results of operations or growth prospects.

COMPLIANCE WITH PERSONAL DATA PROTECTION LEGISLATION

In the ordinary course of its operations, various businesses of the Group collect, store and use data that is protected by personal data protection laws in the different countries in which they operate. As regulatory focus on privacy issue continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to personal data collection and use within the Group's businesses are expected to intensify.

In the event that any relevant business of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial conditions and results of operations.

WINE AND VINEYARD MARKET

The Group is among the largest vineyard owners in Australasia in terms of hectareage and top ten in the world. The vineyards of the Group are mostly leased to well-established wine industry operators and provide immediate and recurring cashflow to the Group. The continued success of the Group will depend in part on its ability to maintain such cashflow. There is no assurance that the Group's tenants will observe the terms of the leases and continue to pay the rent during their existing lease term, or that the leases will be renewed at favorable terms upon their expiries. Tenants of the Group's vineyards export wine to, amongst other countries, the United Kingdom ("UK") and China. The exit of the UK from the European Union and the tension between China and Australia may have adverse effects affecting exports of wine by our tenants and their ability to keep up rental payment. Furthermore, the market value of the vineyard portfolio is subject to currency fluctuations which may impact on the Group's income or financial position.

SOCIAL INCIDENTS AND TERRORIST THREAT

The Group is a diversified company with businesses in Asia, Australasia and North America. In recent years, a series of social incidents and terrorist activities occurred across the globe that resulted in economic losses, multiple deaths and casualties. There can be no assurance that countries in which the Group operates will not have any social incidents or they will be immune from terrorist threat, and if these events occur, it may have an adverse impact on the Group's businesses, financial conditions, results of operations or growth prospects.

IMPACT OF NEW ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRSs will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRSs might or could have a significant impact on the Group's financial position, results of operations or profit growth.

CONNECTED TRANSACTIONS

CK Hutchison Holdings Limited ("CK Hutchison") is also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with CK Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and accordingly any transactions entered into between the Group and CK Hutchison, its subsidiaries or associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as an increase in the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

Risk Factors (Cont'd)

MERGERS AND ACQUISITIONS

The Group has undertaken merger and acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. In pursuit of new business opportunities, the Group is experiencing more intense competition where competing bidders are more aggressive in the valuation of the assets on the back of abundant market liquidity and lower return requirements. The pressure to deploy capital has been significant. Although due diligence and detailed analysis are conducted before merger and acquisition activities are undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Group and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. COVID-19 has introduced more market uncertainty and has also imposed logistical restrictions on the ability to conduct due diligence according to the Group's usual procedures. Some of these merger and acquisition activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Group may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to an increase in costs, time and resources. For merger and acquisition activities undertaken overseas, the Group may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Group may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

NATURAL DISASTERS, CLIMATE CHANGE AND ENVIRONMENTAL CHANGE

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods, drought, fire, frost and similar disasters and the occurrence of any of these disasters could disrupt the Group's business and materially and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

There can be no assurance that earthquakes, floods, drought or other natural disasters will not occur and result in major damage to the Group's assets or facilities, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Climatic changes affect demand, availability, quality and pricing of many of our products as well as those of our customers, especially in the agriculture-related sector, affecting business performance. Furthermore, on-going climate change may trigger off serious natural events like drought and bushfires that may destroy or damage the Group's assets such as land and vineyards.

Changes in environmental conditions, such as increase in pollution, may affect the performance of some of our assets. For example, pollution of sea water may have an impact on the productivity of solar salt fields.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The past performance and the results of operations of the Group as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Corporate Information and Key Dates

BOARD OF DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor	<i>Chairman</i>
KAM Hing Lam	<i>President</i>
IP Tak Chuen, Edmond	<i>Senior Vice President and Chief Investment Officer</i>
YU Ying Choi, Alan Abel	<i>Vice President and Chief Executive Officer</i>
TOH Kean Meng, Melvin	<i>Vice President and Chief Scientific Officer</i>

Non-executive Directors

Peter Peace TULLOCH	<i>Non-executive Director</i>
KWOK Eva Lee	<i>Independent Non-executive Director</i>
Colin Stevens RUSSEL	<i>Independent Non-executive Director</i>
KWAN Kai Cheong	<i>Independent Non-executive Director</i>
Paul Joseph TIGHE	<i>Independent Non-executive Director</i>
Donald Jeffrey ROBERTS	<i>Independent Non-executive Director</i>

AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)
Paul Joseph TIGHE
Donald Jeffrey ROBERTS

REMUNERATION COMMITTEE

KWOK Eva Lee (*Chairperson*)
LI Tzar Kuoi, Victor
Colin Stevens RUSSEL

NOMINATION COMMITTEE

Paul Joseph TIGHE (*Chairman*)
LI Tzar Kuoi, Victor
Donald Jeffrey ROBERTS

SUSTAINABILITY COMMITTEE

IP Tak Chuen, Edmond (*Chairman*)
Paul Joseph TIGHE
Eirene YEUNG

EXECUTIVE COMMITTEE

LI Tzar Kuoi, Victor (*Chairman*)
KAM Hing Lam
IP Tak Chuen, Edmond
YU Ying Choi, Alan Abel
TOH Kean Meng, Melvin
MO Yiu Leung, Jerry

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

CHIEF FINANCIAL OFFICER

MO Yiu Leung, Jerry

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited
Canadian Imperial Bank of Commerce
Commonwealth Bank of Australia
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.
National Australia Bank Limited
Oversea-Chinese Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

Corporate Information and Key Dates (Cont'd)

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

HEAD OFFICE

2 Dai Fu Street
Tai Po Industrial Estate
Tai Po
Hong Kong

PRINCIPAL PLACE OF BUSINESS

7th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

KEY DATES

Annual Results Announcement	16 March 2021
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	10 to 13 May 2021 (both days inclusive)
Annual General Meeting	13 May 2021
Record Date (for determination of shareholders who qualify for the Final Dividend)	20 May 2021
Payment of Final Dividend	31 May 2021

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODES

The Stock Exchange of Hong Kong Limited: 0775
Bloomberg: 775 HK
Reuters: 0775.HK

WEBSITE

www.ck-lifesciences.com

This annual report 2020 (“Annual Report”) is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to cklife.ecom@computershare.com.hk.

The Annual Report (both English and Chinese versions) has been posted on the Company’s website at www.ck-lifesciences.com. Shareholders who have chosen (or are deemed to have consented) to read the Company’s corporate communications (including but not limited to the Annual Report) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company’s Branch Share Registrar or by email to cklife.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company’s website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company’s website will upon request in writing to the Company c/o the Company’s Branch Share Registrar or by email to cklife.ecom@computershare.com.hk promptly be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company’s website) and/or the language of the Company’s corporate communications by reasonable prior notice in writing to the Company c/o the Company’s Branch Share Registrar or sending a notice to cklife.ecom@computershare.com.hk.

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

2 Dai Fu Street, Tai Po Industrial Estate, Hong Kong
Tel: (852) 2126 1212 Fax: (852) 2126 1211

www.ck-lifesciences.com

