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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0775)

THE CHAIRMAN'S STATEMENT FOR 2016

For the year ended 31 December 2016, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") reported profit attributable to shareholders of HK$252 million, an increase of 15% as compared to 2015's restated profit for the Group. [See Footnote]

The Board of Directors has recommended a final dividend of HK$0.01 per share for the year ended 31 December 2016 (HK$0.009 per share in 2015), an 11% increase over the previous year. The proposed dividend will be paid on Friday, 26 May 2017 following approval at the 2017 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 May 2017.

AGRICULTURE-RELATED BUSINESS

For the year under review, CK Life Sciences' agriculture-related businesses recorded profit of HK$310 million. Compared to the restated 2015 profit [See Footnote] for this business segment, the 2016 profit contribution represents an increase of 105%. This is largely due to an increase in valuation of vineyards, and the favourable adjustments arising from the change of Hong Kong Financial Reporting Standards in regards to the accounting treatment of vines.

In terms of operations, the overall performance was in line with expectation during the year under review.

CK Life Sciences' Australian Agribusiness (Holdings) Pty Ltd comprises Accensi Pty Ltd ("Accensi") and Amgrow Pty Ltd ("Amgrow"). Accensi, the largest Australian independent toll manufacturer of crop protection products, achieved record production volume, benefiting from the first full year of production from the new plant in Lara, Victoria. Amgrow maintained its position as the largest supplier of products and services in Australia's professional golf and turf management industry and achieved market leadership in pest management .

[Note:] CK Life Sciences' 2015 accounts were restated following a change in Hong Kong Financial Reporting Standards. Under the Amendments to HKAS 16 and HKAS 41 (which took effect on 1 January, 2016), vines are measured at costs less accumulated depreciation and impairment; whereas under the old accounting standard, vines were measured at fair values and the changes in fair values were recognised in profit or loss.

Benefitting from long-term tenancy agreements, the Company's vineyard portfolio, now spans over 6,500 hectares in Australasia. Upward valuation of the vineyards has been recorded during the year and rental revenues were in line with expectation. Following a series of acquisitions since 2011, CK Life Sciences is now the second largest vineyard owner in Australasia and is one of the top ten largest vineyard owners in the world. During the year, the Company acquired the Fruitmaster portfolio – which comprises three table grape operations in Australia – for a consideration of A$32 million.

Cheetham Salt Limited ("Cheetham"), Australasia's leading producer and refiner of domestic salt, reported satisfactory performance in 2016. Its products are sold domestically in Australia, New Zealand and Indonesia, and are also exported to Japan, Taiwan, South Korea and China. Cheetham maintained its market position in a very competitive domestic operating environment by continuing to deliver on its customer value proposition.

NUTRACEUTICAL BUSINESS

Profit contribution from CK Life Sciences' nutraceutical business during the year under review was HK$398 million, a decrease of 10% over 2015.

The drop is due to a reduction of profit contribution from Lipa Pharmaceuticals Limited ("Lipa") in Australia in 2016 as compared to 2015.

Lipa experienced a surge in demand in the previous two years. The 2016 year-on-year profit decrease took place as customer orders settled to levels more in line with historical averages. Nevertheless, Lipa maintains a strong market leadership position and was named "High Quality Manufacturer of the Year" by Complementary Medicines Australia for the third consecutive year.

In Canada, Santé Naturelle A.G. Ltée achieved growth in sales, profitability and brand leadership. This performance can be attributed to aggressive point of sale executions, key product initiatives and improvements in marketing.

In the United States, Vitaquest International Holdings LLC further solidified its market leading position as a custom contract manufacturer of health supplements. Strong growth was experienced across all product categories, with the most significant increase reported from the probiotic product segment.

PHARMACEUTICAL R&D

CK Life Sciences' R&D initiatives advanced steadily in 2016.

WEX Pharmaceuticals Inc. ("WEX Pharma") made headway in the development of tetrodotoxin (TTX), an analgesic belonging to a new class of drugs called sodium channel blockers. Uncontrolled chronic pain is a major unmet medical need, and there is a need for new and better analgesics to help ease the suffering of patients. WEX Pharma is initially targeting uncontrolled moderate or severe cancer pain, but TTX can potentially also be applied to other chronic pain conditions. Specifically, WEX Pharma has successfully completed a Phase II proof-of-concept clinical study of TTX for chemotherapy-induced neuropathic pain. WEX Pharma is currently in active discussions with the US FDA and is hopeful of being able to start its first pivotal Phase III clinical trial in the United States in 2017 for chemotherapy-induced neuropathic pain. Such indication currently has no specific FDA-approved treatment.

Polynoma LLC's therapeutic cancer vaccine for melanoma, the most serious form of skin cancer, progressed steadily in its Phase III clinical trial in the US and Canada. The vaccine is being developed to stimulate the body's immune system to delay recurrence in patients at early stages of the disease who have undergone surgery. Currently, the global melanoma market exceeds US$1 billion, and is projected to grow to at least five times this value by 2023.

PROSPECTS

The Company is optimistic about prospects in the coming year. CK Life Sciences has a stable portfolio of businesses that fosters organic growth. In addition, we will seek new acquisition opportunities that can further strengthen our business. With regards to R&D, the Company will deploy adequate funding to our pharmaceutical initiatives, with a focus on expediting the commercialization process and bringing effective products to market.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 21 March 2017

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2016, the financial and liquidity position of the Group continued to be sound and healthy. It was financed mainly from internal sources such as cash generated from business activities as well as other sources such as borrowings from banks and major shareholders.

The financing from banks and major shareholders was mainly for the acquisition of the Group's overseas businesses as well as providing general working capital. As at 31 December 2016, the total borrowings from banks and major shareholders amounted to HK$2,670.1 million and HK$1,356.0 million, respectively. All these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, with or without the guarantees of, the Company. As at 31 December 2016, certain assets of the Group's overseas subsidiaries with carrying value of HK$772.7 million were pledged as part of the security for bank borrowings totalling HK$343.1 million. The total finance costs of the Group for the year were HK$95.9 million.

At the end of 2016, the total assets of the Group were about HK$9,535.7 million, of which bank balances and time deposits were about HK$859.4 million and treasury investments were about HK$199.4 million. The bank interest generated for the year was HK$3.6 million. The total loss arising from the Group's investment segment for the year was HK$8.0 million.

The total net assets of the Group as at 31 December 2016 were HK$4,452.4 million, representing HK$0.46 per share. The net debt to net total capital ratio of the Group as at 31 December 2016 was approximately 41.57%, which is calculated as the Group's net borrowings over the aggregate of the Group's total equity and net borrowings. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to interest rates fluctuation. It would monitor its overall net debt position closely, review its funding costs and maturity profile regularly and take necessary actions to facilitate refinancing whenever appropriate.

Material Acquisitions/Disposals and Significant Investments

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK$170.5 million in 2016.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2016, the total capital commitments by the Group amounted to HK$56.9 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 1,747 as at 31 December 2016 (2015: 1,745). The total staff costs, including directors' emoluments, amounted to approximately HK$987.0 million for the year under review, which represents an increase of 6% 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 2016 (2015: Nil).

Consolidated Income Statement
For the year ended 31 December 2016

	Notes	**2016**	2015
		HK$'000	HK$'000
			(Restated)
Revenue	3	**4,868,540**	4,919,309
Cost of sales		**(3,207,448)**	(3,177,462)
		1,661,092	1,741,847
Other income, gains and losses	4	**98,030**	27,572
Staff costs	5	**(521,673)**	(491,719)
Depreciation		**(51,171)**	(50,874)
Amortisation of intangible assets		**(19,170)**	(38,681)
Other expenses		**(753,454)**	(881,896)
Finance costs	6	**(95,858)**	(104,889)
Share of results of joint ventures		**42,954**	48,221
Profit before taxation		**360,750**	249,581
Taxation	7	**(94,524)**	(63,453)
Profit for the year		**266,226**	186,128
Attributable to:			
Shareholders of the Company		**251,971**	218,857
Non-controlling interests of subsidiaries		**14,255**	(32,729)
		266,226	186,128
Earnings per share	8		
- Basic		**2.62 cents**	2.28 cents
- Diluted		**2.62 cents**	2.28 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year	**266,226**	186,128
Other comprehensive income/(expenses)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**43,997**	(610,818)
Loss on fair value changes of available-for-sale investments	**(14,902)**	(62,802)
Reclassification adjustment upon impairment of available-for-sale investments	**10,000**	-
Reclassification adjustment upon disposal of available-for-sale investments	**-**	(24,236)
Other comprehensive income/(expenses) for the year	**39,095**	(697,856)
Total comprehensive income/(expenses) for the year	**305,321**	(511,728)
Total comprehensive income/(expenses) attributable to:		
Shareholders of the Company	**288,772**	(457,743)
Non-controlling interests of subsidiaries	**16,549**	(53,985)
	305,321	(511,728)

Consolidated Statement of Financial Position
As at 31 December 2016

	Notes	**31 December 2016**	31 December 2015	1 January 2015
		HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)
Non-current assets				
Investment properties		**1,057,678**	991,434	1,141,481
Property, plant and equipment		**1,551,258**	1,521,375	1,685,326
Intangible assets		**3,497,918**	3,535,281	3,785,560
Interests in joint ventures		**310,922**	303,174	336,159
Available-for-sale investments		**179,821**	194,723	314,815
Deferred taxation		**57,157**	48,305	33,767
		6,654,754	6,594,292	7,297,108
Current assets				
Investments at fair value through profit or loss		**18,087**	25,041	54,540
Derivative financial instruments		**1,470**	3,338	5,207
Tax recoverable		**7,048**	8,734	4,916
Inventories		**937,503**	923,382	971,149
Receivables and prepayments	10	**1,057,411**	1,117,273	985,230
Bank balances and deposits		**859,432**	840,751	979,200
		2,880,951	2,918,519	3,000,242
Current liabilities				
Payables and accruals	11	**(887,355)**	(910,958)	(946,291)
Derivative financial instruments		**(1,198)**	(2,707)	(4,479)
Bank borrowings		**(1,746,055)**	(1,431,864)	(128,629)
Finance lease obligations		**(270)**	(425)	(346)
Other borrowings		**(1,356,000)**	-	-
Taxation		**(106,134)**	(98,617)	(62,737)
		(4,097,012)	(2,444,571)	(1,142,482)
Net current (liabilities)/assets		**(1,216,061)**	473,948	1,857,760
Total assets less current liabilities		**5,438,693**	7,068,240	9,154,868

Consolidated Statement of Financial Position (cont'd)
As at 31 December 2016

	31 December 2016	31 December 2015	1 January 2015
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Non-current liabilities			
Bank borrowings	**(924,000)**	(1,403,000)	(2,871,858)
Finance lease obligations	**(876)**	(1,092)	(847)
Other borrowings	**-**	(1,356,000)	(1,356,000)
Deferred taxation	**(61,442)**	(48,886)	(51,194)
	(986,318)	(2,808,978)	(4,279,899)
Total net assets	**4,452,375**	4,259,262	4,874,969
Capital and reserves			
Share capital	**961,107**	961,107	961,107
Share premium and reserves	**3,349,478**	3,153,969	3,701,541
Equity attributable to shareholders of the Company	**4,310,585**	4,115,076	4,662,648
Non-controlling interests of subsidiaries	**141,790**	144,186	212,321
Total equity	**4,452,375**	4,259,262	4,874,969

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Attributable to shareholders of the Company									
	Share capital	Share premium	Investment revaluation reserve	Asset revaluation reserve	Translation reserve	Other reserves	Retained earnings	Sub-total	Attributable to non-controlling interests of subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)
As at 1 January 2015	961,107	3,926,489	59,414	34,379	(789,882)	(318,924)	790,065	4,662,648	212,321	4,874,969
Profit/(loss) for the year	-	-	-	-	-	-	218,857	218,857	(32,729)	186,128
Exchange differences arising from translation of foreign operations	-	-	-	-	(589,562)	-	-	(589,562)	(21,256)	(610,818)
Loss on fair value changes of available-for-sale investments	-	-	(62,802)	-	-	-	-	(62,802)	-	(62,802)
Reclassification adjustment upon disposal of available-for-sale investments	-	-	(24,236)	-	-	-	-	(24,236)	-	(24,236)
Total comprehensive (expenses)/income for the year	-	-	(87,038)	-	(589,562)	-	218,857	(457,743)	(53,985)	(511,728)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(12,941)	-	(12,941)	7,866	(5,075)
Dividends paid to the shareholders of the Company – 2014 final dividend HK$0.008 per share	-	(76,888)	-	-	-	-	-	(76,888)	-	(76,888)
Dividends distributed to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(22,016)	(22,016)
As at 1 January 2016	**961,107**	**3,849,601**	**(27,624)**	**34,379**	**(1,379,444)**	**(331,865)**	**1,008,922**	**4,115,076**	**144,186**	**4,259,262**
Profit for the year	-	-	-	-	-	-	**251,971**	**251,971**	**14,255**	**266,226**
Exchange differences arising from translation of foreign operations	-	-	-	-	**41,703**	-	-	**41,703**	**2,294**	**43,997**
Loss on fair value changes of available-for-sale investments	-	-	**(14,902)**	-	-	-	-	**(14,902)**	-	**(14,902)**
Reclassification adjustment upon impairment of available-for-sale investments	-	-	**10,000**	-	-	-	-	**10,000**	-	**10,000**
Total comprehensive (expenses)/income for the year	-	-	**(4,902)**	-	**41,703**	-	**251,971**	**288,772**	**16,549**	**305,321**
Acquisition of additional interests in a subsidiary	-	-	-	-	-	**(6,763)**	-	**(6,763)**	**6,763**	-
Dividends paid to the shareholders of the Company – 2015 final dividend HK$0.009 per share	-	**(86,500)**	-	-	-	-	-	**(86,500)**	-	**(86,500)**
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	**(25,708)**	**(25,708)**
As at 31 December 2016	**961,107**	**3,763,101**	**(32,526)**	**34,379**	**(1,337,741)**	**(338,628)**	**1,260,893**	**4,310,585**	**141,790**	**4,452,375**

Notes to the Consolidated Financial Statements

1. Organisation and Operations

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

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

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

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

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

Except for the amendments to Hong Kong Accounting Standard 16 and Hong Kong Accounting Standard 41 Agriculture: Bearer Plants (the "Amendments to HKAS 16 and HKAS 41") as described below, the adoption of other new and revised HKFRSs has no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

Impact of the Amendments to HKAS 16 and HKAS 41

The Amendments to HKAS 16 and HKAS 41 distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under HKAS 16 Property, Plant and Equipment. However, the agricultural produce growing on bearer plants will remain within the scope of HKAS 41 Agriculture.

The Group's vines qualify as bearer plants under this new definition in HKAS 41 and therefore should be accounted for as property, plant and equipment in accordance with HKAS 16.

The application of the Amendments to HKAS 16 and HKAS 41 in the current year has resulted in change in accounting policy for the Group's vines. As required under HKAS 8 Accounting Polices, Changes in Accounting Estimates and Errors, the change in accounting policy has been applied retrospectively. As a consequence, the vines were reclassified to property, plant and equipment effective from 1 January 2015 and comparative figures have been restated accordingly.

The vines are now measured at amortised cost and depreciated over their estimated useful life, which is estimated to be 30 to 80 years, and after taking into account their estimated residual values, using the straight-line method. As permitted under the transitional rules, the fair value of the vines as at 1 January 2015 (HK$549,113,000) was deemed to be their cost going forward.

The effects of change in accounting policy described above on the Group's financial performance for the year ended 31 December 2015 are as follows:

	2015
	HK$'000
Consolidated income statement	
Increase in depreciation	(27,847)
Increase in impairment of vines	(70,729)
Reversal of fair value changes of vines	6,715
Decrease in tax expenses	9,325
Decrease in profit for the year	(82,536)
Decrease in profit for the year attributable to:	
Shareholders of the Company	(66,055)
Non-controlling interests of subsidiaries	(16,481)
	(82,536)
Decrease in earnings per share	
- Basic	(0.68 cent)
- Diluted	(0.68 cent)
Consolidated statement of comprehensive income	
Decrease in profit for the year	(82,536)
Increase in exchange gain arising from translation of foreign operations	3,214
Increase in total comprehensive expenses for the year	(79,322)
Increase in total comprehensive expenses for the year attributable to:	
Shareholders of the Company	(63,519)
Non-controlling interests of subsidiaries	(15,803)
	(79,322)

	As originally stated	Adjustments	As restated
	HK$'000	HK$'000	HK$'000
Consolidated income statement for the year ended 31 December 2015			
Other income, gains and losses	20,857	6,715	27,572
Depreciation	(23,027)	(27,847)	(50,874)
Other expenses	(811,167)	(70,729)	(881,896)
Taxation	(72,778)	9,325	(63,453)
Profit for the year	268,664	(82,536)	186,128
Profit for the year attributable to:			
Shareholders of the Company	284,912	(66,055)	218,857
Non-controlling interests of subsidiaries	(16,248)	(16,481)	(32,729)
Earnings per share			
- Basic	2.96 cents	(0.68 cent)	2.28 cents
- Diluted	2.96 cents	(0.68 cent)	2.28 cents
Consolidated statement of comprehensive income for the year ended 31 December 2015			
Profit for the year	268,664	(82,536)	186,128
Exchange differences arising from translation of foreign operations	(614,032)	3,214	(610,818)
Total comprehensive expenses for the year	(432,406)	(79,322)	(511,728)
Total comprehensive expenses for the year attributable to:			
Shareholder of the Company	(394,224)	(63,519)	(457,743)
Non-controlling interests of subsidiaries	(38,182)	(15,803)	(53,985)

The effects of change in accounting policy described above on the Group's financial positions as at 31 December 2015 and 1 January 2015 are as follows:

	As originally stated	Adjustments	As restated
	HK$'000	HK$'000	HK$'000
Consolidated statement of financial position as at 31 December 2015			
Vines	479,927	(479,927)	-
Property, plant and equipment	1,129,781	391,594	1,521,375
Deferred tax assets	43,297	5,008	48,305
Deferred tax liabilities	(52,889)	4,003	(48,886)
Effects on net assets		(79,322)	
Translation reserve	(1,381,980)	2,536	(1,379,444)
Retained earnings	1,074,977	(66,055)	1,008,922
Non-controlling interests of subsidiaries	159,989	(15,803)	144,186
Effects on total equity		(79,322)	
Consolidated statement of financial position as at 1 January 2015			
Vines	549,113	(549,113)	-
Property, plant and equipment	1,136,213	549,113	1,685,326
Effects on net assets		-	

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

HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 16	Leases [3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in related to the Group's financial assets measured at amortised cost.

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors of the Company performs a detailed review.

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors of the Company complete a detailed review.

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

3. Revenue

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

	2016	2015
	HK$'000	HK$'000
Agriculture-related	**2,024,425**	2,098,857
Health	**2,839,356**	2,810,296
Investment	**4,759**	10,156
	4,868,540	4,919,309

4. Other Income, Gains and Losses

	2016	2015
	HK$'000	HK$'000 (Restated)
Included in other income, gains and losses are:		
Interest income from bank deposits	**3,632**	3,064
Other interest income	**803**	386
Unrealised gain/(loss) on fair value changes of investment properties	**69,928**	(86,488)
Impairment of available-for-sale investments	**(10,000)**	-
Net gain on available-for-sale investments	**-**	51,168
Net (loss)/gain on investments at fair value through profit or loss		
- Investments held for trading	**(6,954)**	32,225
Net loss on derivative financial instruments	**(1,868)**	(1,869)

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the year amounted to HK$987.0 million (2015: HK$929.9 million) of which HK$465.3 million (2015: HK$438.2 million) relating to direct labor costs were included in cost of sales.

6. Finance Costs

	2016	2015
	HK$'000	HK$'000
Interest on:		
Bank borrowings	**65,048**	77,277
Other borrowings	**30,761**	27,559
Finance leases	**49**	53
	95,858	104,889

7. Taxation

	2016	2015
	HK$'000	HK$'000
		(Restated)
The tax expenses for the year represent:		
Current tax		
Hong Kong	**-**	-
Other jurisdictions	**79,849**	74,458
Under provision in prior years		
Hong Kong	**-**	-
Other jurisdictions	**11,499**	89
Deferred tax		
Hong Kong	**-**	-
Other jurisdictions	**3,176**	(11,094)
	94,524	63,453

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

8. Earnings Per Share

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

	2016	2015
	HK$'000	HK$'000 (Restated)
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**251,971**	218,857
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 2016 and 31 December 2015 are the same as the basic earnings per share as there were no dilutive ordinary shares outstanding.

9. Dividends

A final dividend for the year ended 31 December 2016 of HK$0.01 per share (2015: HK$0.009 per share) with an aggregate amount of HK$96,111,000 (2015: HK$86,500,000) had been proposed by the Directors. It is subject to approval by the shareholders in the forthcoming general meeting.

10. Receivables and Prepayments

	2016	2015
	HK$'000	HK$'000
Trade receivables	**931,202**	991,898
Less: provision for impairment	**(16,665)**	(30,532)
	914,537	961,366
Other receivables, deposits and prepayments	**142,874**	155,907
	1,057,411	1,117,273

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

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

	2016	2015
	HK$'000	HK$'000
0 - 90 days	**841,299**	888,405
Over 90 days	**73,238**	72,961
	914,537	961,366

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

	2016	2015
	HK$'000	HK$'000
Current	**722,224**	733,259
Less than 90 days past due	**175,243**	218,606
Over 90 days past due	**17,070**	9,501
	192,313	228,107
	914,537	961,366

11. Payables and Accruals

	2016	2015
	HK$'000	HK$'000
Trade payables	**336,574**	305,904
Other payables and accrued charges	**550,781**	605,054
Financial liabilities measured at amortised cost	**887,355**	910,958

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

	2016	2015
	HK$'000	HK$'000
0 - 90 days	**329,009**	290,082
Over 90 days	**7,565**	15,822
	336,574	305,904

12. Segment Information

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

(a) Reportable segment information

	Agriculture-related		Health		Investment		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue	**2,024,425**	2,098,857	**2,839,356**	2,810,296	**4,759**	10,156	**-**	-	**4,868,540**	4,919,309
Segment results	**309,642**	150,812	**397,633**	440,593	**(8,033)**	45,043	**-**	-	**699,242**	636,448
Research and development expenditure									**(170,475)**	(183,125)
Corporate expenses									**(72,159)**	(98,853)
Finance costs									**(95,858)**	(104,889)
Profit before taxation									**360,750**	249,581
Taxation									**(94,524)**	(63,453)
Profit for the year									**266,226**	186,128
Other information										
Amortisation of intangible assets	**(7,099)**	(7,986)	**(12,071)**	(30,695)	**-**	-	**-**	-	**(19,170)**	(38,681)
Depreciation	**(72,508)**	(75,047)	**(36,804)**	(34,010)	**-**	-	**(7,954)**	(7,300)	**(117,266)**	(116,357)
Net (impairment of)/ recovery of impairment of trade receivables	**(2,258)**	55	**(2,154)**	(6,655)	**-**	-	**-**	-	**(4,412)**	(6,600)
Unrealised gain/(loss) on fair value changes of investment properties	**69,928**	(86,488)	**-**	-	**-**	-	**-**	-	**69,928**	(86,488)
Impairment of property, plant and equipment	**(8,990)**	(70,729)	**-**	-	**-**	-	**-**	-	**(8,990)**	(70,729)
Impairment of intangible assets	**(13,603)**	(5,490)	**-**	-	**-**	-	**-**	-	**(13,603)**	(5,490)
Inventories written off	**(16,362)**	-	**(40,041)**	(10,108)	**-**	-	**-**	-	**(56,403)**	(10,108)
Impairment of available-for-sale investments	**-**	-	**-**	-	**(10,000)**	-	**-**	-	**(10,000)**	-

(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-curent assets (note ii)	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Asia Pacific	**2,897,114**	3,070,320	**3,638,542**	3,595,597
North America	**1,966,667**	1,838,833	**2,779,234**	2,755,667
	4,863,781	4,909,153	**6,417,776**	6,351,264

Notes :

i. Revenue excluding investment income generated from financial instruments.

ii. Non-current assets excluding financial instruments and deferred tax assets.

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

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2016. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

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

AUDIT COMMITTEE

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

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 11 May 2017 at 10:00 a.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 8 May 2017 to Thursday, 11 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2017 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 5 May 2017.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 May 2017, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. Wednesday, 17 May 2017.

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