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 2019

For the year ended 31 December 2019, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") reported profit attributable to shareholders of HK$182 million, a decrease of about 31% as compared to that of 2018. Sales and profitability of the agriculture-related businesses were affected by: (i) severe and persistent drought conditions in Australia culminating in bushfires on an unprecedented scale; and (ii) upward valuation of vineyards in 2019 being much smaller than that in 2018.

During the year, we announced achievement of an important milestone in one of our pharmaceutical development projects. Polynoma LLC ("Polynoma"), CK Life Sciences' immuno-oncology wholly-owned subsidiary, presented clinical data from its ongoing Phase III clinical study of seviprotimut-L at the 2019 Annual Meeting of the Society for Immunotherapy of Cancer (SITC) in the United States. Seviprotimut-L is an investigational melanoma vaccine candidate. The data highlighted promising efficacy of the product.

The Board of Directors has recommended a final dividend of HK$0.01 per share for the year ended 31 December 2019 (2018: HK$0.01 per share). The proposed dividend will be paid on Friday, 29 May 2020 following approval at the 2020 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20 May 2020.

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

CK Life Sciences' pharmaceutical operations in the United States, Canada and Hong Kong are focused on conducting research and development in cancer vaccines and pain management.

Cancer Vaccines R&D

In November 2019, the results of the interim analysis of the ongoing MAVIS (Melanoma Antigen Vaccine Immunotherapy Study) Phase III clinical trial, comparing seviprotimut-L, a proprietary polyvalent therapeutic cancer vaccine for melanoma, with placebo for the adjuvant treatment of resected early-stage melanoma were presented at the 2019 Society for Immunotherapy of Cancer Annual Meeting in the United States.

MAVIS is being carried out by Polynoma, a wholly-owned subsidiary. Comprising a combination of multiple melanoma-associated antigens, seviprotimut-L works by triggering the body's immune system to develop antibodies and antigen-specific T lymphocytes against melanoma cells, thereby delaying or preventing recurrence after surgical resection.

Initial data from MAVIS were encouraging, with interim subgroup analysis suggesting enhanced recurrence-free survival (RFS) for seviprotimut-L among those with Stage IIB/IIC melanoma, as well as those under the age of 60. Seviprotimut-L was well-tolerated with treatment-emergent adverse events (AEs) similar to patients given placebo. A repeat interim analysis will be performed sometime this year, following which Polynoma plans to schedule a meeting with the US Food & Drug Administration (US FDA) to discuss the results and next steps.

The global market of melanoma has already exceeded US$1 billion and is projected to continue to grow exponentially over the next 5 years. The Company considers that, with promising evidence of efficacy and safety as seen in the interim analysis, seviprotimut-L has the potential to be an important new option for the adjuvant treatment of patients with localised melanoma. The preliminary data from MAVIS also suggest that seviprotimut-L could serve as an important innovation in the vaccine-based treatment of melanoma, for which to date no vaccine has been approved.

On the back of progress made with seviprotimut-L in melanoma, the Company is accelerating investigations into the use of cancer vaccine immunotherapy for the treatment of other cancers such as liver cancer and breast cancer, including the possibility of technology platforms other than shed antigens.

Pain Management R&D

Despite many pain management options being available to patients, uncontrolled chronic pain remains a major unmet medical need globally. WEX Pharmaceuticals Inc. ("WEX Pharma"), our Canadian subsidiary, is developing an analgesic based on the puffer fish toxin, tetrodotoxin. WEX Pharma's product, Halneuron™, acts by blocking $Na_v1.7$ voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain.

Halneuron™ is being researched as a platform pain management solution that can be used to address many different types of pain. As an initial indication, WEX Pharma is targeting Halneuron™ as a treatment for chemotherapy-induced neuropathic pain ("CINP"). The US FDA has allowed the start of a Phase III 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 approved the start of a Phase III clinical trial.

WEX Pharma intends to start enrolling for the Phase III clinical trial at the appropriate time. In the interim, WEX Pharma continues to engage in value-added R&D on Halneuron™, including efforts to manufacture Halneuron™ using semi-synthetic and biotechnology methods, developing new formulations with enhanced stability, as well as exploring novel pain biomarkers.

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. Once demonstrated effective for CINP, Halneuron™ can be further evaluated for other more common types of pain. Market potential for new pain management solutions is significant.

Other R&D Projects

In addition to research into cancer vaccines and pain management, our scientists in Hong Kong are engaged with a range of local and international institutions to extend our research into a variety of solutions for emerging health challenges such as immunology and infectious diseases.

NUTRACEUTICAL BUSINESS

In the face of today's infectious disease epidemic, the value of nutraceutical portfolio is ever more appreciated. 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 Phamaceuticals Limited ("Lipa") in Australia. Revenue generated from the nutraceutical business segment increased 3% over last year.

Vitaquest, an industry-leading development and commercialisation partner for the nutraceutical and functional food markets in the United States, achieved strong sales and production growth in the year under review. The addition of new machinery expanded capacity and accelerated efficiency, while the accomplishment of FSSC 22000 Food Safety System Certification, the first in the industry, marked a milestone for the business.

In Canada, SNAG, one of the largest and longest established natural health companies in Québec, maintained its position in the domestic retail market and recorded a steady performance. New products were introduced and new distribution channels to the rest of Canada, key states within United States and countries within European Union were established.

Lipa, one of the largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, recorded lower sales in 2019. Its customers' export sales to China were negatively impacted by new regulations. To mitigate the impact of this trend, Lipa has accelerated its diversification of revenue streams by engaging with more brands outside Australia, including Asia and the Middle East.

AGRICULTURE-RELATED BUSINESS

The catastrophic bushfires which ravaged Australia for over half a year damaged more than 18 million hectares of land, nearly 6,000 buildings and killed over 30 people. CK Life Sciences' assets are fortunate to have escaped unscathed, though financial performance of the Company's business in 2019 was impacted.

CK Life Sciences' agriculture-related business consists of three main streams – (i) Australian Agribusiness (Holdings) Pty Ltd ("Australian Agribusiness"); (ii) Cheetham Salt Limited ("Cheetham"); and (iii) vineyard portfolio. The business segment was severely hit by the persistent drought and wild bushfires. A decline of 15% in revenue was reported as compared to 2018.

Australian Agribusiness, which comprises businesses in the manufacturing, wholesale and retail of agriculture-related products ranging from plant protection, professional turf, pest management, home garden to specialty agriculture, was hit by the prolonged and severe drought as well as bushfires across Australia. As demand for products shrank, price competition intensified. A number of cost efficiency optimisation measures have been introduced to counter the impact of the continued adverse climatic conditions.

Cheetham, Australasia's leading producer of value-added salt products, recorded satisfactory performance, with sales in many sectors reporting growth. Nevertheless, weather conditions in New Zealand resulted in a lower harvest volume, driving up unit cost.

The Company's vineyard portfolio continued to generate a stable and recurrent cashflow and recorded higher rental income. There was good growth in demand for Australian wine internationally and grape prices were strong. Though valuations of the vineyards were increased in 2019, the amount was less than that reported the previous year; this non-cash item affected the year-on-year profit growth as a result. On the business development front, CK Life Sciences acquired the 520-hectare Wilga Road Vineyard for a purchase price of A$22 million (approximately HK$120 million), enriching the Company's vineyard portfolio. Simultaneously a long-term tenancy agreement was signed, generating stable and recurring cash flow immediately at completion.

PROSPECTS

The devastating Australian bushfires were unprecedented, causing havoc to many agriculture and related businesses in Australia. The Company's 2019 reported profit was adversely affected by unfavourable climatic conditions and the difference in growth of non-cash valuation. Nonetheless, the Company's overall operational condition continues to be sound. The diversified portfolio of businesses has formed a good revenue generating base and a solid platform for the advancement of pharmaceutical research activities.

On the pharmaceutical R&D front, the milestone progress made by Polynoma is very encouraging. There is an unmet medical need among Stage IIB/IIC melanoma patients. Polynoma's seviprotimut-L is potentially the first vaccine-based adjuvant treatment for melanoma.

We are committed to bringing the R&D initiatives to fruition, and are regularly reviewing deployment of appropriate funds to them. As progress in pharmaceutical R&D continues apace, it may be necessary to increase the concerned financial support. With this in mind, we are cautiously optimistic about the prospects of the Company.

In addition, CK Life Sciences is uniquely positioned to tap into the abundant capital resources and vast operating experience of the CK Group, enabling the Company to take full advantage of synergistic business opportunities with other Group entities.

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

Victor T K Li
Chairman

Hong Kong, 17 March 2020

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2019, 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 2019, the bank and other borrowings amounted to HK$5,106.4 million. All these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, with or without the guarantees of, the Company. As at 31 December 2019, certain assets of the Group's overseas subsidiaries with carrying value of HK$931.4 million were pledged as part of the security for bank borrowings totalling HK$314.4 million. The total interest expenses on bank and other borrowings of the Group for the year were HK$149.1 million.

At the end of 2019, the total assets of the Group were about HK$10,714.6 million, of which bank balances and time deposits were about HK$696.5 million and treasury investments were about HK$16.6 million. The bank interest income generated for the year was HK$6.0 million.

The total net assets of the Group as at 31 December 2019 were HK$4,174.8 million, representing HK$0.43 per share. The net debt to net total capital ratio of the Group as at 31 December 2019 was approximately 51.37%, 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

In November 2019, the Group completed an acquisition of the remaining non-controlling interests in Belvino Investment Trust ("Belvino Trust") at a consideration of approximately HK$148.1 million. Belvino Trust is an agricultural investment trust that invests in vineyards across major wine regions of Australia and New Zealand. Upon the completion of the acquisition, the Group's interests in Belvino Trust have increased from 72.3% to 100%. The transaction constitutes a discloseable transaction and connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in the Company's announcement dated 7 September 2018.

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

The Group has always been investing significantly in research and development activities. Total research and development expenditure incurred in 2019 amounted to about HK$122.3 million.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2019, the total capital commitments by the Group amounted to HK$26.5 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 1,829 as at 31 December 2019 (2018: 1,785). The total staff costs, including directors' emoluments, amounted to approximately HK$1,049.5 million for the year under review, which represents an increase of 4% as compared to the previous year.

The Group's remuneration policies and fringe benefits remained basically the same as before. The Group would ensure the pay levels of its employees are competitive and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019 (2018: Nil).

Consolidated Income Statement
For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
Revenue	3	**4,967,024**	5,232,992
Cost of sales		**(3,360,287)**	(3,498,628)
		1,606,737	1,734,364
Other income, gains and losses	4	**95,857**	166,700
Staff costs	5	**(550,137)**	(524,742)
Depreciation		**(92,855)**	(53,159)
Amortisation of intangible assets		**(7,050)**	(6,704)
Other expenses	6	**(677,246)**	(767,030)
Finance costs	7	**(158,884)**	(129,674)
Share of results of a joint venture		**1,013**	1,471
Profit before taxation		**217,435**	421,226
Taxation	8	**(27,474)**	(120,537)
Profit for the year		**189,961**	300,689
Attributable to:			
Shareholders of the Company		**181,735**	263,001
Non-controlling interests of subsidiaries		**8,226**	37,688
		189,961	300,689
Earnings per share	9		
- Basic		**1.89 cents**	2.74 cents
- Diluted		**1.89 cents**	2.74 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**189,961**	300,689
Other comprehensive expenses		
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	**(616)**	(909)
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	**(10,644)**	(87,258)
	(11,260)	(88,167)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(124,430)**	(348,451)
Other comprehensive expenses for the year	**(135,690)**	(436,618)
Total comprehensive income/(expenses) for the year	**54,271**	(135,929)
Attributable to:		
Shareholders of the Company	**50,907**	(162,473)
Non-controlling interests of subsidiaries	**3,364**	26,544
	54,271	(135,929)

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties		**1,673,043**	1,522,092
Property, plant and equipment		**1,916,982**	1,900,640
Right-of-use assets		**431,756**	-
Intangible assets		**3,596,805**	3,592,236
Interests in a joint venture		**5,114**	6,978
Equity investments		**-**	129,644
Deferred taxation		**44,643**	29,734
		7,668,343	7,181,324
Current assets			
Equity investments		**16,636**	11,585
Tax recoverable		**25,966**	10,404
Inventories		**1,182,651**	1,227,181
Receivables and prepayments	11	**1,124,491**	1,234,583
Bank balances and deposits		**696,504**	773,374
		3,046,248	3,257,127
Current liabilities			
Payables and accruals	12	**(667,170)**	(916,197)
Bank borrowings		**(2,782,428)**	(924,000)
Lease liabilities		**(74,725)**	-
Finance lease obligations		**-**	(303)
Taxation		**(51,117)**	(107,589)
		(3,575,440)	(1,948,089)
Net current (liabilities)/assets		**(529,192)**	1,309,038
Total assets less current liabilities		**7,139,151**	8,490,362

Consolidated Statement of Financial Position (cont'd)
As at 31 December 2019

	2019	2018
	HK$'000	HK$'000
Non-current liabilities		
Bank borrowings	**(1,224,000)**	(2,792,249)
Lease liabilities	**(449,477)**	-
Finance lease obligations	**-**	(344)
Other borrowings	**(1,100,000)**	(1,100,000)
Deferred taxation	**(182,521)**	(171,583)
Retirement benefit obligations	**(8,403)**	(6,343)
	(2,964,401)	(4,070,519)
Total net assets	**4,174,750**	4,419,843
Capital and reserves		
Share capital	**961,107**	961,107
Share premium and reserves	**3,216,377**	3,302,801
Equity attributable to shareholders of the Company	**4,177,484**	4,263,908
Non-controlling interests of subsidiaries	**(2,734)**	155,935
Total equity	**4,174,750**	4,419,843

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to shareholders of the Company								
	Share capital	Share premium	Investment at fair value through other comprehensive income reserve	Translation reserve	Other reserves	Retained earnings	Sub-total	Attributable to non-controlling interests of subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2018	961,107	3,666,990	(5,445)	(1,062,471)	(444,089)	1,500,951	4,617,043	139,662	4,756,705
Profit for the year	-	-	-	-	-	263,001	263,001	37,688	300,689
Exchange differences arising from translation of foreign operations	-	-	-	(337,307)	-	-	(337,307)	(11,144)	(348,451)
Actuarial loss of defined benefit retirement plan	-	-	-	-	-	(909)	(909)	-	(909)
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	-	-	(87,258)	-	-	-	(87,258)	-	(87,258)
Total comprehensive (expenses)/income for the year	-	-	(87,258)	(337,307)	-	262,092	(162,473)	26,544	(135,929)
Acquisition of additional interests in a subsidiary	-	-	-	-	(94,551)	-	(94,551)	284	(94,267)
Dividends paid to the shareholders of the Company – 2017 final dividend HK$0.01 per share	-	(96,111)	-	-	-	-	(96,111)	-	(96,111)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(10,555)	(10,555)
As at 1 January 2019	**961,107**	**3,570,879**	**(92,703)**	**(1,399,778)**	**(538,640)**	**1,763,043**	**4,263,908**	**155,935**	**4,419,843**
Transitional adjustments on the initial application of HKFRS 16	**-**	**-**	**-**	**-**	**-**	**(43,605)**	**(43,605)**	**-**	**(43,605)**
Adjusted 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**

Notes to the Consolidated Financial Statements

1. General

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.

As at 31 December 2019, the Group's current liabilities exceeded its current assets by HK$529,192,000. The Directors are of the opinion that, taking into account of the available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards

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

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

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations upon the adoption of HKFRS 16 on 1 January 2019.

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 are recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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 right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and any lease payment made at or before the commencement date, less any lease incentives received. Depreciation is recognised on a straight-line basis over the shorter of the asset's useful life and the lease term.

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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, and variable lease payments that depend on an index or a rate. The difference between the present value and the total remaining lease payments represents the cost of financing and will be recognised in the consolidated income statement in the period in which it is incurred using the effective interest method.

For the classification of cash flows, lease payments in relation to lease liability are allocated into a principal and an interest portion which are presented as financing cash flows by the Group.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and finance lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

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

As allowed by HKFRS 16, the Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not to apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain, leases which already existed prior to the date of initial application.

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application. As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since the commencement dates of the respective leases, but discounted using the incremental borrowing rates at the date of initial application by applying HKFRS 16.C8(b)(i) transition.

In addition, the Group has used the hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group's leases with extension and termination options as practical expedient permitted by HKFRS 16. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated in accordance with the modified retrospective approach.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	**203,980**
Less: Recognition exemption – short-term leases and leases of low value assets	**(645)**
Gross operating lease obligations at 1 January 2019	**203,335**
Discounting	**(19,562)**
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	**183,773**
Add: Extension options reasonably certain to be exercised	**210,093**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**393,866**
Add: Finance lease obligations recognised at 31 December 2018	**647**
Lease liabilities as at 1 January 2019	**394,513**
Analysed as:	
Current	**66,838**
Non-current	**327,675**
	394,513

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**300,227**
Amounts included in property, plant and equipment under HKAS 17	
- Assets previously under finance leases	**810**
	301,037
By class:	
Land and buildings	**273,640**
Machinery and equipment	**9,316**
Furniture, fixtures and other assets	**18,081**
	301,037

The details of adjustments to opening retained earnings and other account balances as at 1 January 2019 are set out below. Line items that were not affected by the changes have not been included.

	As originally stated	Adjustments	As adjusted
	HK$'000	**HK$'000**	**HK$'000**
Consolidated statement of financial position as at 1 January 2019			
Property, plant and equipment	**1,900,640**	**49,224**	**1,949,864**
Right-of-use assets	**-**	**301,037**	**301,037**
Finance lease obligations	**(647)**	**647**	**-**
Lease liabilities	**-**	**(394,513)**	**(394,513)**
Effects on net assets		**(43,605)**	
Retained earnings	**1,763,043**	**(43,605)**	**1,719,438**
Effects on total equity		**(43,605)**	

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

HKFRS 17	Insurance Contracts [1]
Amendments to HKFRS 3	Definition of a Business [2]
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 and HKAS 8	Definition of Material [4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform [4]

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

In addition to the above new and amendments to the HKFRS, a revised Conceptual Framework for the Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to references to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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.

3. 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:

	2019	2018
	HK$'000	HK$'000
Sales of goods:		
Agriculture-related	**1,788,836**	2,149,353
Health	**3,021,285**	2,938,803
Revenue from contracts with customers	**4,810,121**	5,088,156
Rental income (included in agriculture-related segment)	**156,450**	144,470
Investment income	**453**	366
	4,967,024	5,232,992

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

4. Other Income, Gains and Losses

	2019	2018
	HK$'000	HK$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	**6,008**	10,468
Other interest income	**2,748**	1,317
Exchange loss*	**(34,372)**	(26,305)
Net unrealised gain on fair value changes of investment properties	**120,385**	167,591
Impairment of property, plant and equipment*	**(21,425)**	(14,676)
(Impairment)/reversal of impairment of intangible assets*	**(2,992)**	2,489
Net (impairment)/reversal of impairment of trade receivables*	**(1,348)**	407
Impairment of other receivable	**(600)**	-
Gain on disposal of investment properties*	**-**	5,934
Net gain on disposal of property, plant and equipment*	**1,073**	626
Fair value gain/(loss) on investments mandatorily measured at fair value through profit or loss		
- Investments held for trading	**5,051**	(4,773)

* Certain comparative figures have been reclassified from other expenses to other income, gains and losses amounting to HK$31,525,000 to conform to the presentation in current year.

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK$1,049.5 million (2018: HK$1,012.3 million) of which HK$499.4 million (2018: HK$487.5 million) relating to direct labor costs were included in cost of sales.

6. Other Expenses

	2019	2018
	HK$'000	HK$'000
Included in other expenses are:		
Auditor's remuneration	**10,515**	13,731
Clinical trial and laboratory expenses	**79,565**	109,264
Freight and delivery expenses	**269,635**	314,373
Selling, promotion, advertising and related expenses	**62,645**	66,361
Short-term leases expenses	**1,693**	-
Low value assets leases expenses	**419**	-

7. Finance Costs

	2019	2018
	HK$'000	HK$'000
Interest on:		
Bank borrowings	**116,832**	103,390
Other borrowings	**32,274**	26,236
Lease liabilities	**9,778**	-
Finance leases	**-**	48
	158,884	129,674

8. Taxation

	2019	2018
	HK$'000	HK$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	**-**	-
Other jurisdictions	**32,139**	73,727
(Over)/under provision in prior years		
Hong Kong	**-**	-
Other jurisdictions	**(4,729)**	18,953
Deferred tax		
Hong Kong	**-**	-
Other jurisdictions	**64**	27,857
	27,474	120,537

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.

9. 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:

	2019	2018
	HK$'000	HK$'000
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**181,735**	263,001
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 2019 and 31 December 2018 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

10. Dividends

A final dividend for the year ended 31 December 2019 of HK$0.01 per share (2018: HK$0.01 per share) with an aggregate amount of HK$96,111,000 (2018: HK$96,111,000) had been proposed by the Directors. It is subject to approval by the shareholders in the forthcoming general meeting.

11. Receivables and Prepayments

	2019	2018
	HK$'000	HK$'000
Trade receivables related to:		
- Sales of goods	**946,603**	1,049,017
- Operating leases	**1,422**	6,325
	948,025	1,055,342
Less: provision for impairment	**(8,366)**	(11,264)
	939,659	1,044,078
Other receivables, deposits and prepayments	**184,832**	190,505
	1,124,491	1,234,583

As at 31 December 2019, trade receivables from contracts with customers amounted to HK$938,237,000 (2018: 1,037,753,000).

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.

	2019	2018
	HK$'000	HK$'000
0 - 90 days	**815,428**	973,234
Over 90 days	**124,231**	70,844
	939,659	1,044,078

12. Payables and Accruals

	2019	2018
	HK$'000	HK$'000
Trade payables	**259,362**	358,831
Other payables and accrued charges	**407,808**	557,366
	667,170	916,197

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

	2019	2018
	HK$'000	HK$'000
0 - 90 days	**225,559**	346,805
Over 90 days	**33,803**	12,026
	259,362	358,831

13. 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**1,945,286**	2,293,823	**3,021,285**	2,938,803	**453**	366	**4,967,024**	5,232,992
Segment results	**260,383**	437,514	**329,421**	356,838	**-**	-	**589,804**	794,352
Unallocated other income, gains or losses							**(17,439)**	(18,992)
Research and development expenditure							**(122,284)**	(151,835)
Corporate expenses							**(73,762)**	(72,625)
Finance costs							**(158,884)**	(129,674)
Profit before taxation							**217,435**	421,226
Taxation							**(27,474)**	(120,537)
Profit for the year							**189,961**	300,689
Other information								
Interest income	**959**	1,238	**2,764**	1,341	**5,033**	9,206	**8,756**	11,785
Amortisation of intangible assets	**(6,057)**	(6,308)	**(993)**	(396)	**-**	-	**(7,050)**	(6,704)
Depreciation	**(118,785)**	(86,690)	**(69,167)**	(37,477)	**(9,408)**	(7,422)	**(197,360)**	(131,589)
Net (written off)/ reversal of written off of inventories	**(395)**	18,000	**(19,800)**	(3,335)	**-**	-	**(20,195)**	14,665
Net (impairment)/ reversal of impairment of trade receivables	**(628)**	(979)	**(720)**	1,386	**-**	-	**(1,348)**	407
Impairment of other receivables	**-**	-	**-**	-	**(600)**	-	**(600)**	-
Gain on disposal of investment properties	**-**	5,934	**-**	-	**-**	-	**-**	5,934
Net gain/(loss) on disposal of property, plant and equipment	**1,074**	653	**-**	-	**(1)**	(27)	**1,073**	626
Net unrealised gain on fair value changes of investment properties	**120,385**	167,591	**-**	-	**-**	-	**120,385**	167,591
Impairment of property, plant and equipment	**(21,425)**	(14,676)	**-**	-	**-**	-	**(21,425)**	(14,676)
(Impairment)/ reversal of impairment of intangible assets	**(2,992)**	2,489	**-**	-	**-**	-	**(2,992)**	2,489

(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)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia Pacific	**2,674,637**	3,180,317	**4,559,463**	4,218,887
North America	**2,291,934**	2,052,309	**3,064,237**	2,803,059
	4,966,571	5,232,626	**7,623,700**	7,021,946

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.

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.

14. Event After the Reporting Period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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

The Company had applied the principles and complied with all code provisions (save as explained below) and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2019.

In relation to code provision A.5.1 of the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 January 2019. When the need to select, nominate or re-elect Directors arises, a sub-committee comprising a majority of Independent Non-executive Directors will be established with the Chairman of the Board acting as chairman of the sub-committee as well as the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee for consideration and if appropriate, recommendation of the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, the Company considers that this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors which is also in alignment with the principle of the requirements of the nomination committee under the Listing Rules.

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

AUDIT COMMITTEE

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

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), Mr. Colin Stevens Russel and Mr. Paul Joseph Tighe. 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 2019 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the shareholders of the Company is currently scheduled to be held at 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 14 May 2020 at 9:45 a.m. subject to any contingency measures which may be announced as appropriate. The Notice of Annual General Meeting will be published and despatched to the shareholders in accordance with the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 11 May 2020 to Thursday, 14 May 2020, 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 2020 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, 8 May 2020.

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, 20 May 2020, 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, 20 May 2020.

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